



CA24N
EB
- A56



Ontario
Energy
Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1982





Ministry
of
Energy

Queen's Park
Toronto, Ontario
M7A 2B7
416/965-2041
Telex 06217880

June 14, 1982

TO THE HONOURABLE JOHN BLACK AIRD
O.C., Q.C., B.A., LL.D.

Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the
Twenty Second Annual Report of the Ontario Energy
Board for the fiscal year ended March 31, 1982.

Respectfully submitted,

A handwritten signature in dark ink, reading 'Robert Welch'.

Robert Welch
Minister of Energy



of the
man

Ontario
Energy
Board

416/963-0815

9th Floor
14 Carlton Street
Toronto Ontario
M5B 1J2

June 7, 1982


Honourable Robert Welch, Q.C.
Minister of Energy
Queen's Park
Toronto, Ontario
M7A 2B7

Dear Minister:

I have the honour to present herewith the
Annual Report of the Ontario Energy Board for
the fiscal year ended March 31, 1982.

Respectfully submitted,

Robert H. Clendining
Chairman



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/31761116530478>



Ontario
Energy
Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1982

Copies available at \$2.50 each from the Ontario Government Bookstore, 880 Bay Street, Toronto; telephone (416) 965-2054.

Out-of-town customers please write (enclosing cheque or money order payable to the 'Treasurer of Ontario') to Ministry of Government Services, Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8.

Telephone:	(416) 965-6015
Toll-free long distance	1-800-268-7540
Northwestern Ontario	0-Zenith 67200

CONTENTS

	Page
INTRODUCTION.....	1
Role of the Board	1
Major Activities of the Board	2
REGULATORY HEARINGS	3
Natural Gas Rates	3
Introduction.....	3
The Consumers' Gas Company Limited	5
Inter-City Gas Corporation	6
Natural Resource Gas Limited	7
Northern & Central Gas Corporation Limited	7
Tecumseh Gas Storage Limited	8
Union Gas Limited	9
Wellandport Gas Limited	11
Gas Storage	11
Pipeline Construction	11
Pipeline Exemptions	12
Arbitration	12
Accounting Orders	12
Certificates and Franchises	13
ADVISORY HEARINGS	14
Ontario Hydro	14
OTHER MATTERS	16
Ontario Pipeline Coordination Committee	16
Administration	17

APPENDICES

- 'A' Jurisdiction of the Board
- 'B-1' Residential Rates Changes Granted
 - The Consumers' Gas Company Limited
- 'B-2' Residential Rates Changes Granted
 - Northern and Central Gas Corporation Limited
- 'B-3' Residential Rates Changes Granted
 - Union Gas Limited
- 'C' Principal Natural Gas Pipelines in Ontario
- 'D' Selected Statistics
 - Major Ontario Natural Gas Utilities
- 'E' Brochure
 - "How Does a Gas Utility Change Its Rates?"

Metric Conversion

Many of the quantitative references in this Report are expressed in metric units. The following conversion table is provided for your convenience.

- 1 cubic metre(m^3)=0.0353 thousand cubic feet(Mcf)
- 1 thousand cubic feet(Mcf)=28.328 cubic metres(m^3)
- 1 thousand cubic metres(10^3m^3)=0.0353 million cubic feet(MMcf)
- 1 million cubic feet(MMcf)=28.328 thousand cubic metres(10^3m^3)
- 1 kilometre(km)=0.6214 miles
- 1 mile=1.609 kilometres(km)

INTRODUCTION

Role of the Board

The Ontario Energy Board has jurisdiction over energy-related matters including regulation of natural gas rates, municipal franchise approvals, hydrocarbon pipeline construction and related environmental concerns, expropriations and control of utility accounting procedures.

No natural gas utility operating in Ontario under the Board's jurisdiction can change its rates, construct certain facilities or enter into franchise agreements with municipalities without first obtaining the approval of the Board through the public hearing process.

Upon reference being made to it, the Board also acts in an advisory role to the Minister of Energy with regard to Ontario Hydro, to the Minister of Natural Resources respecting certain oil and gas production concerns, and to the Lieutenant Governor in Council on other energy matters.

Appendix 'A' contains a more complete outline of the jurisdiction of the Board.

Major Activities of the Board

The major activities of the Board continued to be rate-related matters resulting from the rapidly increasing wholesale price of natural gas from Western Canada and the cost of distributing it to customers. }

[Ontario natural gas utilities came before the Board with a total of 22 main and interim applications for rates changes during the fiscal year. These, and 14 other proceedings, including a reference from the Minister of Energy with respect to Ontario Hydro's bulk power rates, are described in greater detail in this Report.]

Further to information in the previous Annual Report, the Board continued with its efforts to streamline the regulatory process. In conjunction with a review by consultants, a number of changes are being implemented including an attempt to schedule in advance the entire process, from filing of an application to issuance of a final order, within a specified period of time. This approach is now being tried on an experimental basis.

In order to assist natural gas users and the public in general to better understand the rates setting process, the Board published a brochure entitled, "How Does a Gas Utility Change Its Rates?" The brochure has been sent to Members of the Legislature, all Ontario municipalities and others, including the media. A copy of the brochure, available to anyone, is enclosed with this Report.

REGULATORY HEARINGS

Natural Gas Rates

Introduction

An understanding of the elements affecting the supply and pricing of natural gas distributed and sold in the Province is helpful in a review of natural gas rates hearings. While some natural gas is produced in Ontario the largest portion (approximately 98 per cent) is delivered from Western Canada by TransCanada PipeLines Limited. Ontario natural gas utilities must purchase most of their supply from this source.

There are two principle causes of increasing natural gas prices in Ontario. The most frequent, and the largest in dollar terms, is the cost of gas. This is a combination of the wholesale price of natural gas delivered from Western Canada, as determined by the Federal government, plus the excise or natural gas tax which the Federal government is now imposing, in increasing amounts, on top of the wholesale purchase price.

The second major cause is the revenue required by Ontario natural gas utilities to operate their companies, to raise necessary capital and to provide service to their customers in a safe and efficient manner. These in-province distribution costs, are a relatively small component of the rates paid by customers. Ironically, it is these costs which are the subject of much scrutiny at public hearings. On the other hand, the sizeable Federal gas costs are generally straight forward and hearings related solely to them are usually short.

Before these Federally imposed gas cost increases can be passed through to customers, Provincial legislation requires that approval be obtained from the Ontario Energy Board. The Board must be satisfied that these costs warrant being passed through and determine whether the utility can absorb some or all of the cost. In recent years all such gas cost increases have been passed on to the customers.

These increases affect residential customers as well as commercial and industrial gas users.

In the next year, the Federal government will continue with its program of increasing natural gas costs and excise taxes. This is apart from any revenue increases which the Ontario natural gas utilities may request to maintain their financial integrity. All of these increases, regardless of cause will, however, be subject to the Board's approval process.

During the fiscal year increases in the cost of natural gas imposed on the gas utilities by the Federal government were as follows:

<u>Effective Date</u>	<u>Amount of Increase</u>	<u>Reason</u>
May 1, 1981	\$5.30 per 10 ³ m ³	natural gas tax
July 1, 1981	\$5.30 per 10 ³ m ³	natural gas tax
February 1, 1982	\$7.77 per 10 ³ m ³	natural gas tax
February 1, 1982	\$9.88 per 10 ³ m ³	wholesale gas costs

The major natural gas utilities (The Consumers' Gas Company Ltd., Northern and Central Gas Corporation Limited and Union Gas Limited) now file their rates in metric units. All residential rates changes granted to each of these utilities during the fiscal year, are shown in Appendix 'B'.

The following are highlights of rates cases dealt with by the Board during the fiscal year.

The Consumers' Gas Company Ltd.

[Consumers' distributes natural gas in parts of southern and eastern Ontario, including Metropolitan Toronto. It also operates under the names of Brockville Gas, Grimsby Gas, Ottawa Gas and Provincial Gas.

By Ontario Regulation 330/81 the Lieutenant Governor in Council permitted Hiram Walker Resources Ltd. to acquire all the shares of Hiram Walker-Consumers Home Ltd. in exchange for its own shares. The natural gas distribution operations of Hiram Walker-Consumers Home Ltd. became a wholly-owned subsidiary of Hiram Walker Resources Ltd. under the name of The Consumers' Gas Company Ltd.

In its decision of January 27, 1982, on Consumers' main rates application, the Board found a revenue deficiency of \$77.6 million. The Board had allowed \$50.9 million of this on an interim basis effective October 1, 1981 at the same time as a gas cost increase. The balance of \$26.7 million resulted in rates increases in February 1982, at which time increases in the Toronto city-gate price of natural gas and Federal natural gas taxes also became effective.

Consumers' proposed capital expansion program was one of the major issues in this hearing. The Board approved Consumers' tighter feasibility criteria reflecting the very high cost of money, and stated that in the present capital market it would be prudent and necessary

for utility management to restrain capital expansion spending. The Board also determined that contributions in aid of construction must be obtained from new customers before undertaking system expansion that does not meet the feasibility test.

Following the Board's decision, members of the Ontario New Democratic Party petitioned the Lieutenant Governor in Council to lower or postpone the February 1982 rates increases resulting from the revenue deficiency. The petition was pending at the end of the fiscal year.)

A new main rates application was filed by Consumers' near the end of the fiscal year and will be heard this year.

Inter-City Gas Corporation

Inter-City is a Manitoba utility which also distributes gas in and west of Fort Frances, Ontario.

Inter-City was granted the following interim rates increases during the fiscal year:

<u>Effective Date</u>	<u>Amount of Increase</u>	<u>Reason</u>
May 1, 1981	15.1¢ per Mcf	Federal natural gas tax
July 1, 1981	15.1¢ per Mcf	Federal natural gas tax
August 1, 1981	2.72¢ per Mcf	revenue deficiency
February 1, 1982	46.57¢ per Mcf	wholesale gas costs and Federal natural gas tax

The Board also approved rates under which Inter-City would provide temporary winter service to Boise Cascade Canada Limited from November 1, 1981, to April 1, 1982.

The hearing of Inter-City's main rates application was completed in January 1982 and the decision was pending at the end of the fiscal year.

Natural Resource Gas Limited

Natural Resource Gas (NRG) is a small utility serving Aylmer and surrounding communities. It purchases its natural gas supply from Union Gas, Consumers' Gas and local producers.

NRG filed a main rates application in November 1981. After three days of hearings in February 1982, the matter was adjourned pending the request and filing of further information.

During the fiscal year NRG was granted the following interim rates increases:

<u>Effective Date</u>	<u>Amount of Increase</u>	<u>Reason</u>
August 1, 1981	9¢ per Mcf	Federal natural gas tax
October 5, 1981	21¢ per Mcf	wholesale gas costs
December 1, 1981	31¢ per Mcf	revenue deficiency
February 1, 1982	19¢ per Mcf	wholesale gas costs and Federal natural gas tax
March 1, 1982	43¢ per Mcf	wholesale gas costs
March 19, 1982	40¢ per Mcf	revenue deficiency

Northern and Central Gas Corporation Limited

Northern and Central distributes natural gas in parts of northern and southeastern Ontario.

In its decision of June 15, 1981, on Northern and Central's main rates application, the Board found a revenue deficiency of \$7.9 million. This resulted in rates increases on that date followed by further increases in July 1981 resulting from Federal natural gas taxes. (An earlier Federal gas tax increase had resulted in an increase on May 1, 1981.)

A major issue in this case was the regulatory treatment relating to the Atikokan pipeline; wherein two large volume industrial customers using this pipeline had ceased operations, one late in the test year and the other in the following year. The Board concluded that there was insufficient evidence to support the exclusion of a major portion of the cost of the pipeline from the rate base on the basis that it was not "used or useful" in the test year. The Board, however, refused Northern and Central's request that sales revenues be normalized by eliminating \$10.3 million, the revenue from sales to the two customers in the test year.

Northern and Central filed a new main rates application in November 1981. It included a request for interim rate relief due to a revenue deficiency which Northern and Central said would be incurred in 1982. In an interim decision the Board found a revenue deficiency of \$4.5 million and approved rates increases effective March 1, 1982. This followed a substantial increase on February 5, 1982 related to gas costs and natural gas taxes.

Tecumseh Gas Storage Limited

Tecumseh does not distribute natural gas but provides underground gas storage facilities in Lambton County to The Consumers' Gas Company Ltd.

The decision in Tecumseh's first main rates application was released during the fiscal year. The Board found a revenue deficiency of \$943,584 based on fiscal 1980 and increased Tecumseh's rates accordingly, effective November 1, 1981.

The major issue in the case was the amount to be included in rate base for storage pools purchased by Tecumseh. The Board determined a rate base component \$1.6 million less than the figure proposed by Tecumseh. Tecumseh filed a new application towards the end of the fiscal year.

Union Gas Limited

Union distributes natural gas in most of southwestern Ontario.

In its decision of September 14, 1981, on Union's main rates application, the Board found a revenue deficiency of \$15.1 million. This resulted in rates increases on October 5, 1981, at which time increases in Federal natural gas taxes also became effective.

Rate of return, meter reading, billing procedures and security deposits for residential customers, were major issues at this hearing. The Board ordered Union to file before its next main rates hearing a report examining methods of improving its capability of checking natural gas bills for over-estimates and meter reading errors. Union was also ordered to report, at the next main hearing, on the progress of its test of a micro-processor meter reading system. The Board also directed Union to undertake an information program to advise residential customers of matters that can affect their credit rating and the need for security deposits.

Union's application for increased rates, in order to pass on to its customers \$24.5 million in premium costs of synthetic natural gas purchased from Petrosar Limited, was heard during the fiscal year. The major issue in the case

was whether Union's directors and management acted prudently in entering into a synthetic natural gas purchase contract with Petrosar Limited in 1974. While being critical of Union's directors and management, the Board determined that under the circumstances as they were known to exist in 1974 their action or inaction did not constitute imprudence. The Board permitted amortization of the premium over four years but, to provide incentive for Union's management to continue its efforts to mitigate the effect of the premium costs, rejected Union's proposal that there should be a return or interest on the unamortized portion. The decision resulted in uniform rates increases effective February 1, 1982.

One month later, Federal natural gas taxes and gas costs resulted in another rates increase.

Leave to appeal the Board's decision in the Petrosar case to the Divisional Court has been filed by Dow Chemical Canada Inc. The matter was pending at the end of the fiscal year.

During the fiscal year the Board extended the rates to be paid by Union for storage in the Bickford and Sombra Pools, and approved rates to be charged to Consumers' by Union under the short-term gas storage agreement referred to in the Gas Storage section of this Report.

A new main rates application was filed by Union in October 1981. It was heard in January and February 1982 and the decision was pending at the end of the fiscal year.

Wellandport Gas Limited

Wellandport is a small natural gas utility serving customers in the Townships of West Lincoln and Wainfleet in the Regional Municipality of Niagara. It produces most of its own natural gas but also purchases some from Union Gas Limited.

The Board issued an interim order increasing Wellandport's rates by about \$1.40 per Mcf for gas billed on and after December 1, 1981, due to increased Federal natural gas taxes, gas purchase costs and operating costs.

Gas Storage

The Board approved the parties, term and storage volume of a proposed short-term gas storage agreement whereby Union would store natural gas for Consumers'. The Board also approved a proposed change in the volume being stored by Union for the Kingston Public Utilities Commission.

Pipeline Construction

The Board granted Union Gas Limited leave to construct the following three looping sections of its existing Dawn-Trafalgar transmission pipelines:

	<u>Distance</u>
London valve site in the Township of London to St. Marys valve site in the Township of West Nissouri	14 km
Kerwood valve site in the Township of Metcalf to Strathroy gate station in the Township of Caradoc	11 km
Bright compressor station in the Township of Blandford-Blenheim to Owen Sound valve site in the Township of North Dumfries	18 km

Leave was granted subject to certain conditions relating primarily to environmental matters.

Pipeline Exemptions

In special circumstances the Board may exempt a person from obtaining leave to construct a particular transmission pipeline. Two exemption orders were made during the fiscal year:

Union Gas was granted an exemption to replace three short sections of the Amherstburg line in the Township of Anderdon, County of Essex; and

an amendment was made to a portion of the route of a 15-kilometre line from the City of Sudbury to the Town of Rayside-Balfour for which Northern and Central was granted an exemption in the previous fiscal year.

Arbitration

Proceedings in the application to determine compensation payable by Union Gas to the owners of oil and natural gas and storage rights in the Bentpath Pool in the Township of Dawn, were outlined in the Board's previous Annual Report. In the fiscal year just ended, the Board consolidated two other applications with the compensation proceeding and dealt with further procedural matters. The hearing began on December 1, 1981, and ended on March 4, 1982, after 16 sitting days. Written argument has been completed and the Board will render its decision this year.

Accounting Orders

In April 1981 the Board issued to Union Gas Limited an accounting order determining the appropriate accounting treatment of the 5 per cent Federal income tax surcharge.

Certificates and Franchises

The Board granted 14 certificates of public convenience and necessity to construct works and supply natural gas as follows:

Consumers' Gas	- City of Oshawa; Town of Whitby
Natural Resource Gas	- Town of Aylmer; Villages of Belmont, Port Burwell, Springfield and Vienna; Townships of Bayham, Norfolk, North Dorchester, South Dorchester, South West Oxford and Westminster
Union Gas	- Township of Stanley

The Board also approved or prescribed the terms and conditions of 18 franchises for the distribution of natural gas as follows:

Consumers' Gas	- Cities of Oshawa, Ottawa and St. Catharines
Natural Resource Gas	- (same municipalities as above)
Northern & Central Gas	- District Municipality of Muskoka*
Union Gas	- City of St. Thomas; Townships of Stanley* and Zorra*

In its reasons for decision in the Ottawa franchise matter the Board reaffirmed the principle that franchise agreements should not contain terms and conditions requiring payments from a distributor to the municipality over and above the normal municipal taxes.

*municipalities franchised for the first time.

ADVISORY HEARINGS

The Board's advisory role differs from its regulatory role which includes the authority to order Ontario natural gas utilities to implement Board decisions. In its advisory capacity, the Board reviews at public hearings such matters as Ontario Hydro bulk power rate proposals and makes a report containing recommendations.

Ontario Hydro

In April 1981 the Minister of Energy referred to the Board for examination and report, a proposal by Ontario Hydro to increase its rates effective January 1, 1982. Ontario Hydro proposed a 1982 revenue requirement of \$2,862 million and an average bulk power rates increase of 8.6 per cent.

The hearing was held in June and July and the Board made its report on August 31, 1981. It contained the following opinions and recommendations:

Recommendations and findings relating to the 1982 rate proposal

- 1) Ontario Hydro's forecast of bulk power costs for 1982 is excessive by an amount of \$85.3 million.
- 2) After taking into account the revisions made by Ontario Hydro to its proposal, the bulk power rates increase for 1982 should be approximately 6.5 per cent.
- 3) All proposed bulk power rates for 1982 should be adjusted downward by Ontario Hydro in an equitable manner to the level indicated.
- 4) Decommissioning costs should be based on restricted site use and be subject to further review as may be necessary.
- 5) Ontario Hydro's accounting policy to amortize gains or losses on premature retirement of debt should be deferred until the matter can be re-examined more fully at the next bulk power rates hearing.
- 6) The electric furnace rates differential in 1981 should be continued in 1982.

Recommendations relating to future hearings

- 1) Staff levels of Ontario Hydro should be included and disclosed in the supporting detail of Ontario Hydro's bulk power rates proposal.
- 2) Early completion of the development and application of performance indices on a remuneration related basis should be accorded a higher priority by Ontario Hydro.
- 3) Ontario Hydro should consider deferring more planned outages at Pickering Nuclear Generating Station on existing units until Pickering Units 5 and 6 come into service in 1983.
- 4) Commissioning of Pickering Units 5 and 6 should be expedited to the utmost.
- 5) All revenue accounts such as internal sales should be shown separately and not netted out.
- 6) An examination of capital expenditure and capital cost control should be undertaken by the Ontario Energy Board in the near future.
- 7) Ontario Hydro should pursue its study on cash management.

The Board also recommended that Section 62 of the Power Corporation Act be amended to increase the rate of interest chargeable on overdue accounts to more realistic levels.

OTHER MATTERS

Ontario Pipeline Coordination Committee (OPCC)

The OPCC is comprised of representatives from the Ministries of Agriculture and Food, Consumer and Commercial Relations, Environment, and Natural Resources and is chaired by the Board's Special Projects Officer. Other Ministries, such as Citizenship and Culture, Municipal Affairs and Housing, and Energy, participate depending upon the impact of specific pipeline projects.

The purpose of the OPCC is to ensure that pipelines have minimal undesirable effect on the land by requiring that:

- . sensitive areas be avoided in route selection;
- . landowners be adequately notified and informed;
- . construction procedures and schedules be developed to cause the least disturbance to the right-of-way and surroundings; and
- . clean-up and restoration measures be responsibly implemented to restore the right-of-way to as good a condition as existed before the project was started.

During the fiscal year, the OPCC assisted Board counsel during the hearing of pipeline applications and recommended conditions of approval to the Board. It also monitored construction and site restoration to ensure that the conditions of Board orders were implemented.

In addition, the OPCC assisted the Ministry of Energy before the National Energy Board during the hearing of TransCanada PipeLines' application to build a large diameter, high pressure natural gas transmission line from North Bay to Morrisburg. Construction, in Ontario, of Federally regulated pipelines was also monitored by the OPCC.

There are over 13,000 kilometres of transmission pipeline in Ontario transporting natural gas, crude oil and petroleum products. During the fiscal year the OPCC was involved in monitoring various stages of construction of some 760 kilometres of natural gas pipeline. Appendix 'C' shows the general location of these pipeline systems.

Administration

The Board's total (unaudited) expenditures for the fiscal year were \$1,863,015 of which \$472,321 was recovered from applicants by way of fees and costs, and paid into the Consolidated Revenue Fund of the Province.

At the end of the fiscal year the staff of the Board totalled 32. Board members and senior staff were:

R. H. Clendining	-	Chairman
I. C. MacNabb	-	Vice Chairman
S. J. Wychowanec	-	Vice Chairman
H. R. Chatterson	-	Member
J. R. Dunn	-	Member
D. H. Thornton	-	Member
D. M. Treadgold	-	Member
J. C. Butler	-	Part-time Member
R. R. Perdue	-	Part-time Member
O. J. Cook	-	(Acting) Director of Operations (also Manager, Financial Analysis and Energy Returns Officer)
P. F. Cunningham	-	Administrative Advisor
S.A.C. Thomas	-	Board Secretary
L. Graholt	-	Board Solicitor
D. R. Cochran	-	Special Projects Officer
C. J. Mackie	-	Manager, Engineering

Jurisdiction of the Board

Under the Ontario Energy Board Act

Approving or fixing rates and other charges for the sale of gas by transmitters, distributors and storage companies and for the transmission, distribution and storage of gas.

Ensuring compliance by gas utilities with the Uniform System of Accounts.

Granting leave to construct pipelines and related facilities.

Granting authority to expropriate land for pipelines and related facilities and authorizing pipelines to cross highways, utility lines and ditches.

Recommending to the Lieutenant Governor in Council the creation of designated gas storage areas and authorizing their use and arbitrating compensation payable to landowners under certain conditions.

Approving gas storage agreements and permitting a transmitter or distributor to use the empty space of a storage company.

Unitizing the interests in gas and oil spacing units and pools.

Reporting to the Lieutenant Governor in Council, after hearings, on applications by gas utilities to sell their assets or amalgamate with other utilities and on applications by persons to acquire shares of a gas utility which would result in a holding of more than 20 per cent of such shares.

Reporting to the Lieutenant Governor in Council on energy questions referred to the Board.

Examining into and reporting to the Minister of Energy on Hydro rates and rate-related matters, pursuant to references from the Minister.

Under the Municipal Franchises Act

Approving the terms of a proposed by-law granting a franchise to supply gas to a municipal corporation or distribute gas in the municipality, and extending the term of such franchise or of a transmission franchise.

Granting certificates of public convenience and necessity to construct works and supply gas in municipalities.

Under the Petroleum Resources Act

Reporting to the Minister of Natural Resources, pursuant to references from him, on certain applications for permits and licences.

Under the Public Utilities Act

Controlling gas utilities that contravene municipal by-laws prohibiting the distribution and sale of gas containing sulphuretted hydrogen.

Under the Assessment Act

Deciding whether certain gas pipelines are transmission lines for assessment purposes.

The Toronto District Heating Corporation Act, 1980*

Fixing steam rates for certain customers of the Toronto District Heating Corporation, formerly the Toronto Hospitals Steam Corporation, upon appeal by the customer. *(This Act was passed in the previous fiscal year but had not been proclaimed by March 31, 1982.)

**NATURAL GAS RATES CHANGES GRANTED
FOR TYPICAL RESIDENTIAL CUSTOMERS
(FISCAL YEAR APRIL 1, 1981 TO MARCH 31, 1982)**

(\$ per 10^3m^3)

The Consumers' Gas Company Ltd.

<u>Effective Date</u>	<u>Amount</u>	<u>Reason</u>
October 1, 1981	\$14.47	revenue deficiency
October 1, 1981	10.94	Federal natural gas tax
February 17, 1982	6.71	revenue deficiency
February 17, 1982	9.88	wholesale gas costs
February 17, 1982	<u>8.47</u>	Federal natural gas tax
	<u>\$50.47</u>	Total

Percentage increase: 33 per cent

Base rate level at March 31, 1981*: \$151.09

Current rate level at March 31, 1982*: \$201.56

*Based on representative annual residential
consumption for space and water heating of $4.25 \times 10^3\text{m}^3$

**NATURAL GAS RATES CHANGES GRANTED
FOR TYPICAL RESIDENTIAL CUSTOMERS
(FISCAL YEAR APRIL 1, 1981 TO MARCH 31, 1982)**

(\$ per 10³m³)

Northern and Central Gas Corporation Limited

<u>Effective Date</u>	<u>Amount</u>			<u>Reason</u>
	<u>Western Zone</u>	<u>Northern Zone</u>	<u>Eastern Zone</u>	
May 1, 1981	\$ 5.30	\$ 5.30	\$ 5.30	Federal natural gas tax
June 15, 1981	9.18	9.18	9.18	revenue deficiency
July 1, 1981	5.30	5.30	5.30	Federal natural gas tax
February 5, 1982	9.53	10.59	11.30	wholesale gas costs
February 5, 1982	7.77	7.77	7.77	Federal natural gas tax
March 1, 1982	<u>3.18</u>	<u>3.18</u>	<u>3.18</u>	revenue deficiency
	<u>\$40.26</u>	<u>\$41.32</u>	<u>\$42.03</u>	Total

Percentage	30	29	28
increase:	per cent	per cent	per cent

Base rate level at			
March 31, 1981*:	\$135.91	\$141.91	\$148.26

Current rate level at			
March 31, 1982*:	\$176.17	\$183.23	\$190.29

*Based on representative annual residential consumption for space heating and water heating of

4.40	4.24	3.66
10 ³ m ³	10 ³ m ³	10 ³ m ³

NATURAL GAS RATES CHANGES GRANTED
FOR TYPICAL RESIDENTIAL CUSTOMERS
(FISCAL YEAR APRIL 1, 1981 TO MARCH 31, 1982)

(\$ per 10^3m^3)

Union Gas Limited

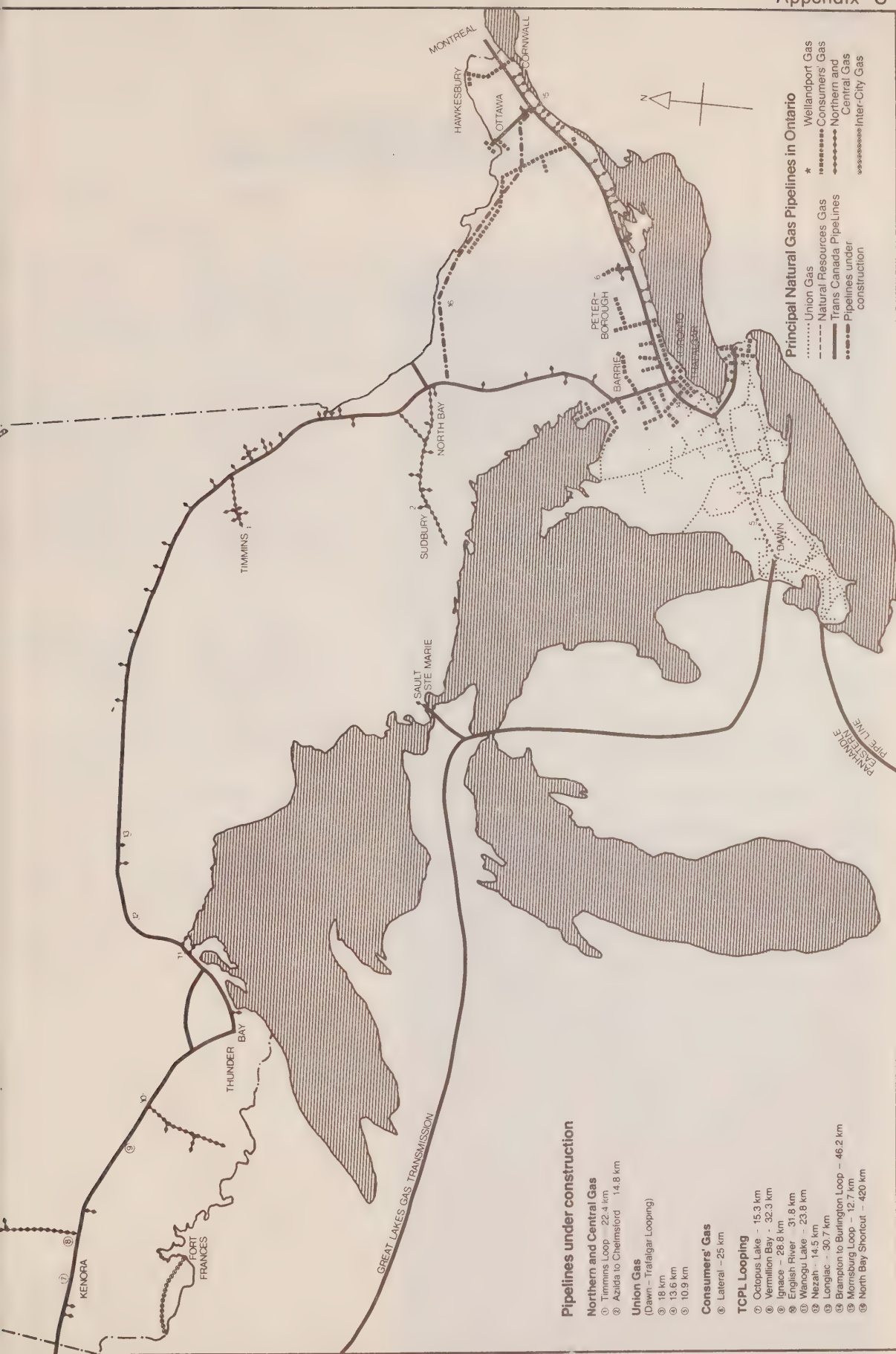
<u>Effective Date</u>	<u>Amount</u>	<u>Reason</u>
April 1, 1981	\$(0.71)	revenue deficiency
October 5, 1981	5.30	revenue deficiency
October 5, 1981	10.95	Federal natural gas tax
February 1, 1982	1.06	Petrosar gas costs
March 1, 1982	9.53	wholesale gas costs
March 1, 1982	<u>8.83</u>	Federal natural gas tax
	<u>\$34.96</u>	Total

Percentage increase: 22 per cent

Base rate level at March 31, 1981*: \$159.21

Current rate level at March 31, 1982*: \$194.17

*Based on representative annual residential
consumption for space and water heating of $3.54 \times 10^3\text{m}^3$



SELECTED STATISTICS
MAJOR ONTARIO NATURAL GAS UTILITIES*

	<u>1982</u>	<u>1981</u>
	(rounded)	
<u>Number of Customers:</u>		
Residential	1,142,600	1,063,600
Commercial & Industrial	136,800	127,700
Total	<u>1,279,400</u>	<u>1,191,300</u>
 <u>Sales Volume: (10³m³)</u>		
Residential	3,987,100	3,853,900
Commercial & Industrial	14,650,400	14,490,700
Total	<u>18,637,500</u>	<u>18,344,600</u>
 (MMcf)		
Residential	140,700	136,000
Commercial & Industrial	517,200	511,500
Total	<u>657,900</u>	<u>647,500</u>
 <u>Sales Revenue: (\$000)</u>		
Residential	623,300	512,800
Commercial & Industrial	1,714,800	1,391,100
Total	<u>2,338,100</u>	<u>1,903,900</u>
 <u>Total Distributors'</u>		
<u>Cost of Natural Gas: (\$000)</u>	1,894,700	1,553,700
 <u>Rate Base: (\$000)</u>	1,828,500	1,776,200
 <u>Revenue Increases</u>		
<u>(non gas costs): (\$000)</u>		
Requested	146,100	72,700
Granted	105,200	35,000
 <u>Transmission and Distribution Pipelines:</u>		
Miles	22,900	22,400
Kilometers	36,900	36,000

*The Consumers' Gas Company Ltd.
Northern and Central Gas Corporation Limited.
Union Gas Limited.

A decision can be changed

Board decisions may be challenged in three different ways:

the Board may itself review a decision either upon the application of any interested party or upon its own initiative;

interested parties may, within twenty-eight days of a decision, petition the Cabinet of the Ontario government to review it; or

upon questions of law or jurisdiction, application for judicial review may be made to the Divisional Court.

Other matters

The Ontario Energy Board is responsible for more than just natural gas rates. It regulates other matters relating to the oil and gas industry, including pipeline construction and gas distribution franchises.

The Board also reviews annually the wholesale rates proposed by Ontario Hydro and makes written recommendations on them to the Minister of Energy. The Board does not, however, review the rates of municipal electric utilities.

A more precise explanation of the Board's authority and procedures may be found in the Ontario Energy Board Act and Regulations, the Municipal Franchises Act, and the Petroleum Resources Act.

For further information, please contact:

Board Secretary
Ontario Energy Board
14 Carlton Street, 9th Floor
Toronto, Ontario
M5B 1J2

Telephone (collect): 416/963-0812

How Does a Gas Utility Change Its Rates?



Ontario
Energy
Board



Ontario
Energy
Board

Under Ontario law the private gas utilities cannot set their own selling prices. If they want a rate change they must apply to the Ontario Energy Board.

Some basic facts

The three largest Ontario gas utilities are *Consumers' Gas* (serving parts of central and eastern Ontario and operating also as *Brockville Gas*, *Grimsby Gas*, *Ottawa Gas*, and *Provincial Gas*); *Northern and Central Gas* (serving parts of northern and eastern Ontario); and *Union Gas* (serving parts of southwestern Ontario).

Smaller areas are served by *Natural Resources Canada Gas*, *Inter-City Gas*, and *Wellandport Gas*.

All these utilities are under the jurisdiction of the Ontario Energy Board.

The gas utilities in Kingston and Kitchener are municipally owned and controlled. Their rates are not determined by the Ontario Energy Board.

The Ontario Energy Board limits the income of the natural gas utilities in Ontario and controls the rates they charge for gas being sold to their customers. The Board is responsible for setting rates that are as low as possible while providing investors in the gas utility an opportunity to earn a fair return.

The Ontario Energy Board does *not* automatically approve rate changes. Each application must be reviewed carefully at a public hearing, where all interested parties can present their views.



Ontario produces less than 2 per cent of its natural gas needs. Most of its supply comes from western Canada by two pipeline systems, one through northern Ontario and the other through the United States re-entering Canada near Sarnia.

The federal government sets the price Ontario's distributors must pay for gas from western Canada. This factor has accounted for about 78 per cent of residential rate increases in recent years, with the balance due to the increased operating costs of the Ontario gas utilities.

What happens before the hearing?

The gas utility's application

A rate review begins when a gas utility files an application for a rate change. The utility must file enough written information so the Board can conduct a thorough review of the financial position of the utility and the appropriateness of new rates being requested. If the Board feels the information is inadequate, further information is always obtained. The Board staff examines all the material prior to the public hearing.

Notice to the public

After receiving the gas utility's application, the Board instructs the utility to notify affected parties.

Municipal governments in the gas utility's service area are always informed by registered mail or courier. For the thousands of individual customers, notification is by newspaper advertisements like the following example. Sometimes a hearing date is included in the advertisement. In either case, instructions to potential participants are set out.

XXXXXXXXXXXXX COMPANY NOTICE OF RATE APPLICATIONS

TAKE NOTICE that XXXXXXXXXXXXXXXXXXXX Company, has filed with the Ontario Energy Board main and interim applications for just and reasonable rates and other charges for the sale of gas. All customers of the Applicant are affected.

The Applicant requests interim rate relief:
(a) of about \$4 per Mcf due to the Federal excise tax increases of May 1, 1981, and July 1, 1981; and

(b) to recover about \$1 million to prevent a revenue deficiency occurring in its 1982 fiscal year in relation to the four rate of return, representing rate increases of about \$4 per Mcf for residential, \$4 for firm commercial and industrial and \$4 for interruptible customers; and

(c) to recover increases in the cost of gas, taxes and other costs during the course of the main application.

Copies of the applications are available upon request from the Applicant's solicitors, XXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXX

Any person who intends to oppose or otherwise intervene in the applications shall, within 14 days after publication of this notice, file an answer (notice of intervention) in duplicate with the Board Secretary, 9th Floor, 14 Carlton Street, Toronto, Ontario M5B 1J2, and serve the same upon the Applicant's solicitors, either personally or by registered mail. The answer shall contain a clear and concise statement of his interest, his grounds for opposing or otherwise intervening, and his address for service. The Board has directed the Applicant to forward a copy of its pre-filed evidence to any person requesting it in his answer. Until completion of proceedings under the main application, notice of hearing of subsequent specific requests for interim rate relief will be given only to persons who have filed an answer to the main application.

The Board will subsequently fix dates for hearing. All persons who file an answer will receive notices of hearing. Persons not filing an answer will not be entitled to any further notice in the proceedings. In its decisions the Board may change any rate or other charge proposed by the Applicant.

DATED at Toronto this _____ day of _____, 19____.

ONTARIO ENERGY BOARD
Board Secretary

Who can participate?

All gas customers, whether residential customers or large industrial users, are entitled to participate. So are municipalities and groups or associations that wish to present a collective point of view. Those that do participate are called intervenors. Although lawyers or agents frequently represent intervenors, this is not essential; individual citizens do appear and speak for themselves.

How to intervene

Within the period specified in the notice, usually two weeks, the prospective intervenor must inform the Board in writing of the intention to intervene, sending a copy to the gas utility's lawyers as well.

The intervenor should say if he or she wishes to appear at the hearing. Recognizing that some people cannot attend at all stages or arrange for someone to be present on their behalf, the Board Secretary will try to arrange a time when a participant may be heard.

Although it is sometimes more effective to appear in person (or be represented by a lawyer, agent, or a group spokesman), a simple intervention can be made by writing a letter to the Board Secretary for presentation at the hearing.

Whether a letter is written for filing at the hearing or a party wishes actually to participate, the written notice of intervention should indicate why the person has an interest in the outcome of the hearing and the reasons for supporting or opposing the gas utility's application. A written submission providing other details may also be helpful. An intervenor may file his submission later, after requesting and reading the utility's pre-filed evidence.

Board staff and counsel are available to assist the public to intervene. The Board Secretary should be contacted if assistance is required.

Once the date and location of the hearing have been established, the Board Secretary will arrange for the intervenors to be notified.

Pre-hearing conferences

It is often helpful if participants hold a meeting to review the material for clarification, to define their differences, and to arrange procedural matters before the hearing. All intervenors receive notice of, and are encouraged to attend, these public conferences.

The hearing

Anyone is welcome to attend a hearing, which may last from a few days to several weeks. Hearings are usually held in the Board offices in Toronto.

At the hearing the utility must prove that it needs the rate changes applied for. The Board usually hears the utility's evidence first. Intervenors may ask questions of the utility witnesses or make their views known by giving evidence by presenting a submission, or all three. Personal giving evidence can be questioned by all participants at the hearing, including lawyers representing the utility, Board staff, and the Board members themselves.

A transcript of the hearing is taken. A copy is available at the Board offices for inspection by any member of the public.

Interim hearings

If a gas utility believes that a change in its cost of buying gas or in other costs of doing business will cause it to suffer immediate financial difficulties, it can apply for an interim rate change. These interim rate applications also require public hearings, which last only a day or so. When interim rate changes are granted they are still subject to review at the main hearing.

After the hearing

The Board's decision and order

After hearing all evidence and submissions, the Board members who heard the case deliberate and make a decision. The Board's decision is then written and released.

The Board may deny the rate change requested, grant a portion of it, or approve the entire request if it is justified. The decision is accompanied by reasons for decision.

Finally, a Board order is issued, and the rate changes become effective. All participants receive copies of the decision and order, which are also available to the public.

CP2PN
EB
-A56



Ontario
Energy
Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1983





Ministry
of
Energy

Queen's Park
Toronto, Ontario
M7A 2B7
416/965-2041
Telex 06217880

October 27, 1983

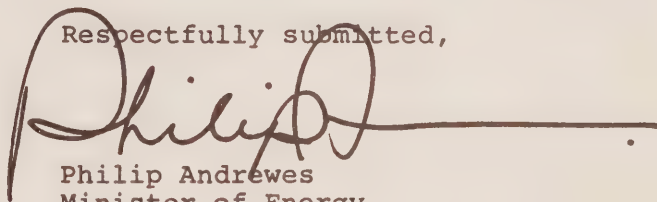
TO THE HONOURABLE JOHN BLACK AIRD
O.C., Q.C., B.A., LL.D.

Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the
Twenty Third Annual Report of the Ontario Energy
Board for the fiscal year ended March 31, 1983.

Respectfully submitted,


Philip Andrewes
Minister of Energy



man

Ontario
Energy
Board

9th Floor
14 Carlton Street
Toronto, Ontario
M5B 1J2
416/598-1600

October 25, 1983.

Honourable Philip Andrewes,
Minister of Energy,
Queen's Park,
Toronto, Ontario.
M7A 2B7

Dear Minister:

I have the honour to present herewith the
Annual Report of the Ontario Energy Board for
the fiscal year ended March 31, 1983.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "R. H. Clendining".

Robert H. Clendining,
Chairman.



Ontario
Energy
Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1983

Copies available at \$2.50 prepaid from Ontario Government Bookstore, 880 Bay Street, Toronto; telephone (416) 965-2054.

Out-of-town customers please write (enclosing cheque or money order payable to the 'Treasurer of Ontario') to Ministry of Government Services, Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8.

Telephone:	(416) 965-6015
Toll-free long distance:	1-800-268-7540
Northwestern Ontario	0-Zenith 67200.

ISSN 0317-4891

7C 10:83

CONTENTS

	Page
INTRODUCTION	
Role of the Board	1
Major Activities of the Board	1
REGULATORY HEARINGS	
Natural Gas Rates	3
Introduction	3
The Consumers' Gas Company Ltd	5
Inter-City Gas Corporation	8
Natural Resource Gas Limited	9
Northern & Central Gas Corporation Limited	10
Tecumseh Gas Storage Limited	12
Union Gas Limited	13
Wellandport Gas Limited	14
Gas Storage	15
Certificates and Franchises	15
Pipeline Construction	15
Pipeline Exemptions	16
Arbitration	16
ADVISORY HEARINGS	
Ontario Hydro	18
Natural Gas Used as a Feedstock	21
OTHER MATTERS	
Ontario Pipeline Coordination Committee	22
Regulation Amendments	23
Letters of Concern and Customer Complaints	24
Administration	25

APPENDICES

- 'A' Jurisdiction of the Board
- 'B-1' Residential Rates Changes Granted
- The Consumers' Gas Company Ltd
- 'B-2' Residential Rates Changes Granted
- Northern and Central Gas Corporation
Limited
- 'B-3' Residential Rates Changes Granted
- Union Gas Limited
- 'C' Selected Statistics
- Major Ontario Natural Gas Utilities
- 'D' Principal Natural Gas Pipelines
In Ontario

Many of the quantitative references in this Report are expressed in metric units. The following conversion table is provided for your convenience.

1 cubic metre (m^3)=0.0353 thousand cubic feet (Mcf)

1 thousand cubic metres (10^3m^3)=0.0353 million cubic feet (MMcf)

1 kilometre(km)=0.6214 miles

1 thousand cubic feet(Mcf)=28.328 cubic metres (m^3)

1 million cubic feet(MMcf)=28.328 thousand cubic metres (10^3m^3)

1 mile=1.609 kilometres (km)

INTRODUCTION

Role of the Board

The Board has jurisdiction over and responsibility for various energy related matters which are outlined in Appendix 'A'. Under the Ontario Energy Board Act, its Regulations and other relevant statutes, the principal responsibilities of the Board may be summarized as:

- . regulation of natural gas rates;
- . approval of municipal natural gas franchises;
- . approval of hydrocarbon pipelines construction;
- . authorization of expropriations of land for facilities;
- . regulation of gas utility accounting procedures; and
- . advising on any question respecting energy.

A natural gas utility operating in Ontario must obtain Board approval before it can change its rates, construct certain facilities or enter into franchise agreements with municipalities. All such matters are dealt with at public hearings before the Board.

In its advisory capacity, the Board responds to references from the Minister of Energy regarding Ontario Hydro, the Minister of Natural Resources regarding certain oil and gas production concerns, and the Lieutenant Governor in Council on any question respecting energy.

Major Activities of the Board

During the fiscal year rate related matters were prominent before the Board. Major factors were the continuing increase in the cost of natural gas from Western Canada and the increasing revenue requirements of the utilities.

In addition to the annual reference from the Minister of Energy regarding Ontario Hydro bulk power rates, there was a total of 16 applications for gas rate changes as well as 12 other proceedings. These are summarized in this Report.

Improvements to the overall regulatory process, referred to in previous Annual Reports, are working well. The Board will be taking other initiatives such as the establishment of common filing requirements, annual monitoring forms, and is conducting studies on an industry-wide basis designed to improve and expedite the hearing process.

Since many of the proceedings before the Board are in respect of rates changes, a brochure entitled "How Does a Gas Utility Change Its Rates?" was published in the previous fiscal year to assist natural gas users and the general public to better understand the process whereby rates are changed. The brochure was sent to Members of the Legislature, all Ontario municipalities, the media and others, and is available on request. A copy is enclosed with this Report.

REGULATORY HEARINGS

Natural Gas Rates

Introduction

As noted previously the two main causes of increasing natural gas prices in Ontario continue to be the cost of gas and the operating revenues required by the utilities. As shown in Appendix 'B' the most frequent increase and the largest in dollar terms was the wholesale cost of gas. This represents what Ontario gas utilities must pay for natural gas delivered to Ontario from Western Canada. This wholesale gas cost is a combination of the price at the Alberta border as determined by the Alberta and Federal governments, TransCanada PipeLines Limited transportation tariffs as established by the National Energy Board, and excise and other taxes set by the Federal Government.

Comparatively speaking, the in-province distribution costs are a relatively small component of the gas rates paid by utility customers. These revenues, which are required by the utilities to continue operations and to raise necessary capital, are the subject of careful scrutiny at Board public hearings. Since the Ontario Energy Board Act requires that any rates change be approved by the Board, the impact of the Federally-imposed gas cost increases are similarly scrutinized during a hearing. The Board must be satisfied that these warrant being passed through to customers, and at the same time must determine whether the utility can absorb some or all of such costs.

During the fiscal year increases in the wholesale cost of gas imposed on the utilities by the Federal government were as follows:

<u>Effective Date</u>	<u>Amount of Increase</u>
August 1, 1982	\$9.38 per 10 ³ m ³
September 1, 1982	\$4.51 per 10 ³ m ³
February 1, 1983	\$2.24 per 10 ³ m ³

Typical residential customer rates changes granted to each of the three major Ontario gas utilities during the fiscal year, together with approximate annualized costs, are shown in Appendix 'B'.

The following are highlights of rates and other applications considered by the Board since the previous Annual Report.

The Consumers' Gas Company Ltd.

Consumers' distributes natural gas in parts of southern and eastern Ontario, including Metropolitan Toronto. It also operates under the names of Brockville Gas, Grimsby Gas, Ottawa Gas and Provincial Gas.

This utility's main rates application required 43 hearing days over a period of 7 months because there was an unusually large number of intervenors, as well as several complex issues.

The utility had originally claimed a deficiency of \$83 million which it later reduced to about \$48 million. During Phase I of the hearing the Board allowed a deficiency of \$20 million on an interim basis effective December 20, 1982. At the completion of Phase I, in its Reasons for Decision of January 26, 1983, the Board determined a rate base of \$1,155,729,000, an allowed rate of return thereon of 12.52 percent, including 15.75 percent on common equity, and a total revenue deficiency of \$20.1 million. The Board concluded, therefore, that no further rate increases were justified. Prior to this, on November 23, the Board had approved interim rate increases permitting Consumers' to recover wholesale gas cost increases which occurred during the summer.

In its original application Consumers' requested the Board to approve increases in rates which would include the collection of income taxes on a 'normalized' or deferred basis. This request was subsequently withdrawn, and

resulted in the remaining increased revenue requirements from each customer class being not more than 6 percent, exclusive of any upstream gas cost increases that might have been approved by the Federal Government.

Consumers' also proposed changes to rate structures, including an increase in the fixed monthly charge for residential customers from \$6.27 to \$18.30 and a surcharge for gas consumed in January, February and March with off-setting charges for the balance of the year. This proposal was also withdrawn.

Nonetheless, the utility requested the Board to consider and rule on the principles and merits of deferred income tax recovery and on the philosophy that led to the three-part residential rate proposal i.e. - customer charge, capacity charge and commodity charge. This request was rejected by the Board.

The pre-hearing publicity given to the proposed fixed monthly charge and surcharge aspects of Consumers' original application resulted in the Board receiving a substantial number of letters of concern and a petition which was directed to the Board, the Lieutenant Governor in Council and the Legislative Assembly.

The Inflation Restraint Act, 1982, enacted on September 21, affected companies whose prices are regulated by Ontario public agencies. Under the Act, certain economic criteria were established as a basis for determining appropriate increases. Several intervenors referred to the Federal and Ontario restraint programs and requested the Board to limit any rate increases to the levels established by these programs. All counsel participating in the hearing

addressed the question of whether or not the Ontario legislation required the Board to apply the restraint criteria in approving or fixing just and reasonable rates. The Board did not decide that question in these proceedings, since in the Board's view such criteria had in any event been met.

During the course of the hearing the Industrial Gas Users Association, Cyanamid (Canada) Inc., and the Urban Development Institute, Apartment Group, objected to the utility's method of calculating the increased rates. Consumers' had refused to answer certain of these intervenors' interrogatories which they considered necessary for effective opposition to the utility's methods, and each made a motion requesting the Board to order Consumers' to answer the interrogatories. The Board denied Cyanamid's request, and part of the Urban Development Institute's request, but required that the balance of the interrogatories be answered. The Board's Reasons for Decision relating to Cyanamid's motion were the subject of a petition to the Lieutenant Governor in Council by Cyanamid. The Lieutenant Governor in Council directed the Board to re-hear the issue, but before the Board could comply with this direction Consumers' volunteered to provide the material requested by Cyanamid.

Subsequent to the conclusion of the hearing, the Board re-opened the proceedings for the purpose of hearing evidence regarding Consumers' actual results for fiscal 1982 compared with the estimated results it had submitted in September 1982.

On February 23, 1983, the Ontario New Democratic Party Caucus petitioned the Lieutenant Governor in Council to disallow that part of the rate increase relating to revenue deficiency in excess of \$16 million so that Consumers' 1983 net income would be frozen at its 1982 level. This petition was pending at the end of the fiscal year. (A similar petition, referred to in the previous Annual Report, was denied by the Lieutenant Governor in Council on July 9, 1983.)

Phase II of the hearing concluded on March 4, 1983 and the Board's decision was pending at the end of the fiscal year. (Reasons for Decision were subsequently issued on April 26, 1983).

Inter-City Gas Corporation

Inter-City is a Manitoba-based gas utility which distributes gas in and west of Fort Frances, Ontario. An unusual feature of this utility's distribution system is its reliance on one large industrial customer (Boise Cascade Canada Limited) for more than 90 percent of its total sales. This situation has a major effect on the utility's entire operation.

Inter-City Gas Corporation (Ontario Division), being a wholly owned subsidiary, has no capital structure of its own. Consequently, the Board has been obliged to set an allowable rate of return based on a hypothetical capital structure.

As noted in the previous Annual Report, the Board's decision on Inter-City's main rates application was pending at the end of that fiscal year. It was subsequently issued April 29, 1982 with new rates effective June 1, 1982.

Inter-City had requested no change in its allowable rate of return and the Board allowed 15.5 percent on common equity and 11.69 percent on a rate base of \$1,068,116 at December 31, 1980.

An issue during the hearing was the establishment of a reasonable allocation of the corporate gas costs. In its Reasons for Decision the Board accepted the utility's proposals on the allocation of gas costs to the Ontario Division, and determined a revenue deficiency of \$104,330 which resulted in an increase in gas rates of 2.78¢ per Mcf.

Inter-City was granted the following interim rate increases during this fiscal year:

<u>Effective Date</u>	<u>Amount of Increase</u>	<u>Reason</u>
Oct. 1, 1982	32.14¢ per Mcf	wholesale gas costs
Mar. 1, 1983	5.45¢ per Mcf	wholesale gas costs

The Board also approved rates under which Inter-City would provide temporary winter service to Boise Cascade Canada Limited from November 1, 1982 to April 1, 1983.

Natural Resource Gas Limited

Natural Resource Gas (NRG) is a small utility serving Aylmer and surrounding communities and purchases its natural gas supply from Union Gas, Consumers' Gas and local producers.

NRG's first main rates hearing, which began in February 1982, reconvened in May 1982 after the filing of additional information requested by the Board. The Board's Reasons for Decision of August 31, 1982 determined a total revenue deficiency of \$205,879. Of this amount, \$203,000 was already being recovered as a result of earlier interim increases. The balance of \$2,879 went towards the equalization of rates throughout the system. As a result the Medina-Belmont rate differential was reduced from approximately 55¢ to 47¢ per Mcf effective September 1, 1982.

During the fiscal year NRG was granted an interim rate increase of 2¢ per Mcf on June 1 because of wholesale gas cost increases, and a further increase on September 1 of 8¢ per Mcf due to a revenue deficiency relating to Belmont division customers only. On December 1, 1982, as a result of further wholesale gas costs, rates were increased 38¢ per Mcf to all customers and an additional 47¢ per Mcf to Belmont division customers in order to equalize the rates for the entire system.

Northern and Central Gas Corporation Limited

Northern and Central distributes natural gas in parts of northern and southeastern Ontario.

The hearing of this utility's rates application commenced on September 27 and concluded on November 30, 1982. This was the first time that Northern and Central had used a prospective test year (calendar year 1983) to calculate its rate base, cost of service and revenue deficiency and, as a result, the utility's budgeting methodology was a major issue.

The Inflation Restraint Act, 1982 became effective September 21, 1982 and had a compliance period of 12 months, which impacted Northern and Central's interim rate increase granted February 11, 1983 as well as the prospective test year. Counsel participating in the hearing addressed the question of whether or not this Act required the Board to apply the restraint criteria in approving or fixing just and reasonable rates. The Board decided that it could not do so.

There were four interim decisions during the course of the proceedings. By Orders dated September 30 and October 12, 1982 the Board allowed the utility to pass through increases in the wholesale cost of gas.

On February 11, 1983 the Board issued Reasons for Decision allowing the pass-through of increased wholesale gas costs effective February 1, 1983, and interim rate increases to reflect a revenue deficiency of \$10,000,000.

In its Reasons for Decision of March 8, 1983 the Board determined a rate base of \$237,986,695, an allowed rate of return thereon of 12.65 percent including 16.00 percent on common equity, and a pre-tax revenue deficiency of \$13,619,992.

By Order-in-Council dated March 16, 1983 the Board was prevented from issuing an Order implementing its March 8 Reasons for Decision because the Minister of Consumer and Commercial Relations had referred the decision to the Inflation Restraint Board for consideration. The matter was still under review at the end of the fiscal year.

Tecumseh Gas Storage Limited

Tecumseh provides underground gas storage facilities in Lambton County to serve The Consumers' Gas Company Ltd. It does not distribute natural gas.

On February 1, 1982, Tecumseh applied for increased rates and other charges for the storage and transportation of gas. The hearing and concluded on June 15, 1982 after 5 days of hearing. The test year was Tecumseh's fiscal year ending March 31, 1983. On the basis of an average rate base without annualization, the utility claimed a revenue deficiency of \$2,578,400 on an annual basis effective April 1, 1983. It also claimed that if an August 1, 1983 effective date was used, then the deficiency would be \$3,252,600, resulting from the effect of regulatory lag. On a claimed rate base of \$53,234,879, a major issue was the valuation of the storage pools and in particular the storage rights obtained from Imperial Oil Limited.

In its Reasons for Decision of July 20, 1982 the Board determined the total rate base to be \$51,260,781 and that a reasonable allowance to be included in rate base for the cost of the gas storage rights acquired by Tecumseh was the \$13,494,749 claimed by the utility. The Board determined an allowable rate of return on the rate base of 12.39 percent including 15.00 percent on common equity. These findings resulted in a revenue deficiency of \$2,417,993. The effective date of increase in rates was established as May 1, 1983.

Union Gas Limited

Union distributes natural gas in most of southwestern Ontario.

As noted in the previous Annual Report, Dow Chemical Canada Inc. applied to the Divisional Court for leave to appeal the Board's decision on Union's application relating to Petrosar Limited which increased rates effective February 1, 1982. Leave to appeal was granted in March; the appeal was heard in October 1982, and in December 1982 the court denied the appeal. In January 1983 Dow requested, and was granted, leave to appeal the Court judgment. The appeal was argued before the Court of Appeal in May 1983, and denied on August 16, 1983.

Also previously noted was the filing of Union's main rates application in October 1981. This application was heard by the Board in January and February of 1982. In its Reasons for Decision of April 8, 1982 the Board determined a rate base of \$713,350,000, an allowed rate of return thereon of 13.08 percent including 16.75 percent on common equity and a revenue deficiency of \$31,062,000 resulting in rate increases effective April 15, 1982.

During the course of that hearing, rate of return, the capital budgeting process, and the obligation to serve were issues reviewed by the Board. The Board ordered Union to file a report on the impact of its system expansion on customer rates, and a study to examine the degree of discrimination and cross-subsidization within the General Service Rate.

A major issue in that hearing was Union's practice of offering group billing to certain customers in the General Service Rate classification. After hearing evidence from boards of education, municipalities and commercial and industrial users, the Board determined that this practice was unduly discriminatory and detrimental to the other customers in this rate class, and that group billing for municipalities and school boards on non-contiguous properties was to be discontinued.

Later in the fiscal year changes in the wholesale price of natural gas from Western Canada resulted in residential rate increases effective December 13, 1982.

A new rates application for Union's fiscal year 1984 was filed by the utility in September 1982. This application was heard by the Board in December 1982 and in January and February 1983. The decision was pending at the end of the fiscal year. (Board Reasons for Decision were subsequently issued on April 22, 1983).

Wellandport Gas Limited

Wellandport is a small natural gas utility serving customers in the Townships of West Lincoln and Wainfleet in the Regional Municipality of Niagara. It produces most of its own natural gas but also purchases some from Union Gas Limited.

The Board issued an interim Order increasing Wellandport's rates by approximately 23¢ per Mcf for gas billed on and after August 1, 1982 due to increased Federal natural gas taxes and gas purchase costs.

Gas Storage

During the fiscal year the Board approved the parties, term and storage volume of a short-term storage agreement whereby Union would store natural gas for Consumers'. The Board also approved a storage agreement between Tecumseh Gas and Consumers', the effect of which was to convert an existing agreement to metric units and to slightly increase storage volumes. Also approved was an amendment to an agreement between Union and the Kingston Public Utilities Commission which has increased the Commission's maximum storage balance and contract demand.

Certificates and Franchises

During the fiscal year the Board granted a certificate of public convenience and necessity to Northern and Central Gas Corporation Limited for the construction of works to supply natural gas to the Town of Valley East.

The Board also approved or prescribed the terms and conditions of 5 franchise agreements for the distribution of natural gas as follows:

Consumers' Gas	- County of Renfrew*; Regional Municipality of Durham*; Town of Rockland
Northern & Central Gas	- Township of Winchester
Wellandport Gas	- Township of West Lincoln*

*municipalities enfranchised for the first time.

Pipeline Construction

The Board granted Union Gas Limited leave to construct a 2.75 kilometre looping section of its existing Hanover-Walkerton transmission pipeline, in the Town of Hanover. Leave was granted subject to certain conditions relating primarily to environmental matters.

Pipeline Exemptions

In special circumstances the Board may exempt a person from obtaining leave to construct a particular transmission pipeline. The following two exemption Orders were made during the fiscal year.

- . The Consumers' Gas Company Ltd. was granted an exemption for a short section of transmission line to connect its existing Haley Station lateral to the new TransCanada Pipeline North Bay Short Cut Line in the Township of Ross, County of Renfrew.
- . Union Gas Limited was granted an exemption to replace two short sections of its Amherstburg pipeline in the Townships of Anderdon and Sandwich West, County of Essex.

Arbitration

On July 16, 1982 the Board issued its Reasons for Decision on the Bentpath Pool applications referred to in the previous Annual Report. This decision dealt with three applications to determine compensation payable for storage rights from various landowners in the Township of Dawn, County of Lambton. Three of the landowners had no storage agreements with Union Gas, but several had executed agreements purporting to vest storage rights in Union Gas. The latter group claimed that the agreements were invalid because they had been obtained through misrepresentation. The Board held that it had the jurisdiction, as part of its broader administrative function, to determine the validity of these agreements for the purposes of considering compensation under section 21(2) and (3) of the Ontario Energy Board Act. The Board determined that most of the agreements were valid and, consequently, only five landowners had standing before the Board on the issue of compensation.

The Board then proceeded to determine fair, just and equitable compensation for these landowners recognizing the principles contained in the Expropriations Act. It was decided to determine compensation based on the market value for gas storage rights at the time of this Decision and taking into account any relevant trends which were evident for the future.

The Board concluded that compensation from 1974 to 1982 should be \$18.50 per annum per acre and from 1983 to 1990 \$24.00 per annum per acre to be paid each year in advance, with interest at 11.98 percent on all amounts outstanding. The Board directed Union to pay the landowners, except for the Township of Dawn, on a proportional basis for the gas that remained in the Bentpath Pool at the time storage injection commenced as if the residual volumes of 466,216 Mcf had been produced on July 31, 1974 at the rate of 2¢ per Mcf plus interest. The Board also ordered additional payments of \$100 per well per year up to and including 1982 and \$300 per well per year from 1983 to 1990 inclusive.

The landowners had also requested the Board to rescind its earlier Orders which allowed Union to join the interest of the landowners in the Bentpath Pool and to inject gas into it. These requests were rejected on the grounds that they were contrary to the public interest.

In conclusion the Board ordered Union to pay the reasonable legal, appraisal and other costs of the five landowners.

ADVISORY HEARINGS

Ontario Hydro

A reference was received from the Minister of Energy on February 12, 1982 requesting the Board to examine and report on the 1983 bulk power revenue requirement of Ontario Hydro and the seasonally and time-differentiated rates proposed for 1983. Due to the significant changes proposed in Hydro's rate structure, the Board divided the hearing into two Phases, and heard evidence as follows:

Phase I - Bulk power revenue requirement	April 21 - May 14, 1982,
Phase II - Cost allocation and rates	June 1 - June 30, 1982.

Written argument was submitted by the various parties at the conclusion of each Phase.

Ontario Hydro initially proposed a net revenue requirement of \$3,617 million for 1983 compared to \$3,064 million for 1982. Of the requested increase \$110 million was expected to be derived from increased sales leaving \$443 million to be recovered through a proposed rate increase of 13.9 percent. In final argument Hydro increased its net revenue requirement by \$54 million which resulted in a final requested increase of 15.7 percent.

In its August 31, 1982 Report to the Minister, the Board recommended that the 1983 revenue requirement be reduced by \$161.6 million. This effectively reduced the proposed rate increase to 8.8 percent.

The Board made the following specific recommendations and comments:

Recommendations Relating to Cost Allocation and Rate Design

- 1) The Composite Peaking Plant (CPP) concept should be adopted for purposes of determining generation capacity costs.
- 2) The winter rating period should consist of the months October through March and the summer season consist of the months April through September.
- 3) The Expected Unsupplied Energy (EUE) concept should be adopted for the distribution of capacity costs to pricing periods.
- 4) A sixty minute demand interval for purposes of assessing demand charges should be accepted.
- 5) The bulk power rates should be seasonally and diurnally differentiated although the diurnal energy charge differential should be nominal and not cost-based in 1983.
- 6) That the designations Interruptible A and Interruptible B rates be discontinued and replaced by an interruptible rate classification designated 'Capacity Interruptible'.
- 7) The Capacity Interruptible Rate should not contain a rebate based upon kilowatt interruption per hour as proposed.
- 8) Hydro should not proceed at that time with its proposal to negotiate rates with certain large customers.
- 9) Time-Of-Use (TOU) rates should be assessed on all energy delivered to the bulk power customers on and after January 1, 1983.
- 10) The costs as reduced should be passed through the cost-allocation process in arriving at time-differentiated rates.

Recommendations Relating to Future Hearings

- 1) That Hydro produce for the Board at the next hearing such information on coal supply contracts as is customarily supplied by utilities appearing before their regulatory agencies.

- 2) That Hydro be prepared to show cause at next year's hearing as to why the Board should not recommend termination of the NPD agreement and the moving of the training and testing to some other nuclear facility.
- 3) That Hydro's apparent practice of paying overtime to its engineering and management staff be closely examined at the next hearing.
- 4) That Hydro expedite its current review of heavy water production and include consideration of all accounting aspects of the program and report at the next hearing.
- 5) That Hydro pursue further the sinking fund alternative as part of its debt retirement program and report at the next hearing.
- 6) That Hydro examine the adequacy and effectiveness of the control of capital costs and report at the next hearing.

Recommendations Relating to Other Matters

- 1) That Hydro reconsider policies with respect to:
 - net income provision in the costing of internal transfers of electricity.
 - costing of steam supplied to the BHWP.
 - costing of commissioning energy.
- 2) That Hydro proceed with its plan to relocate many of its head office staff to a location other than downtown Toronto and it again consider disposing of its former head office building.
- 3) That Hydro review the policy of not capitalizing the development costs of major projects prior to their authorization by Order-in-Council.
- 4) That Hydro check and report yearly on each of the factors in its determination of the provision for the cost of nuclear decommissioning.

Comments for Consideration of the Minister

- 1) An early report from the committee investigating Hydro's net income would be of assistance to the Board.

- 2) The Board was also of the opinion that a review of bulk power rates will become increasingly difficult when considered in isolation from retail rates. The Minister may wish to provide an appropriate forum for such investigation. 7

Natural Gas Used as a Feedstock

On February 9, 1983 by Order-in-Council 316/83 the Lieutenant Governor in Council directed the Board to hold a public hearing and report on aspects of natural gas supply and pricing of concern to Ontario industries using natural gas as a feedstock.

Notices of the Order-in-Council were published nationwide in March and May subsequent to the end of the fiscal year. The hearing was scheduled to begin July 18, 1983.

The Board will hear submissions concerning the natural gas feedstock industries relating to two major groups of proposals:

- a) alternative gas supply arrangements, other than the traditional purchase from regulated distributors and,
- b) a province-wide common rate for natural gas used as a feedstock.

OTHER MATTERS

Ontario Pipeline Coordination Committee (OPCC)

As noted in the previous Annual Report, the OPCC is an interministerial committee chaired by the Board's Pipeline Coordinator. Principal participants are the Ministries of Agriculture and Food, Consumer and Commercial Relations, Environment and, Natural Resources. Others who participate in the Committee's work, depending upon the impact of specific pipeline projects, are the Ministries of Citizenship and Culture, Municipal Affairs and Housing, Energy, and the Niagara Escarpment Commission.

The purpose of the OPCC is to ensure that pipelines have minimal undesirable effect on the land by requiring that:

- . environmentally sensitive areas be avoided in route selection;
- . landowners be adequately notified and informed;
- . construction procedures and schedules be developed to cause the least disturbance to the right-of-way and surroundings; and
- . clean-up and restoration measures be responsibly implemented to restore the right-of-way to as good a condition as existed before the project was started.

During the fiscal year the OPCC assisted Board counsel in the hearing of pipeline applications and recommended conditions of approval to the Board. It also monitored construction and site restoration to ensure that the conditions of Board Orders were implemented.

The OPCC also assisted the Ministry of Energy in reviewing various projects related to the Federal government Distribution System Expansion Program (DSEP) for natural gas.

In addition, the OPCC monitored National Energy Board approved construction of a TransCanada PipeLines Limited large diameter, high pressure natural gas transmission line from North Bay to Morrisburg. It also monitored construction of looping sections of existing pipelines by TCPL and Union Gas Limited in northern and southern Ontario respectively.

There are over 13,000 kilometres of transmission pipeline in Ontario transporting natural gas, crude oil and petroleum products (see Appendix 'C'). During the fiscal year the OPCC was involved in monitoring various stages of construction of some 575 kilometres of natural gas pipeline.

Regulation Amendments

Ontario Regulation 700, R.R.O. 1980 was amended twice during the fiscal year. Ontario Regulation 805/82 exempted sellers of compressed natural gas sold as a motor vehicle fuel from rate regulation under section 19 of the Ontario Energy Board Act. This is intended to encourage the use of natural gas as a vehicle fuel. The major gas distributors are required to keep special accounts if they wish to take advantage of this exemption.

Ontario Regulation 820/82 exempted MICC Investments Limited and The Mortgage Insurance Company of Canada from a public hearing required by section 26 of the Act in relation to their proposal to acquire shares and warrants of Inter-City Gas Corporation. This was a major Canada-wide transaction in which MICC and Inter-City acquired shares of each other. The impact on Ontario customers was expected to be insignificant.

Letters of Concern and Customer Complaints

In Board Notices of Application (which are published in newspapers having major circulation in Ontario) provision is made for those who do not wish to actively participate in the hearing to write to the Board expressing any concerns they may have about the application. These letters are reviewed by Board staff when preparing for the hearing and are summarized at the hearing by Board Counsel. In this fiscal year the Board received 667 letters of concern and several petitions, as compared to 57 letters in the previous fiscal year.

In addition to letters of concern regarding specific applications, the Board also receives letters from natural gas customers relating to a variety of difficulties which have arisen with their gas utility. Board staff discuss some of these matters with the parties in an attempt to resolve the issues. In this fiscal year the Board received 205 customer complaint letters, as compared to 116 in the previous fiscal year.

Administration

Board total expenditures for the fiscal year were \$2,316,426 of which \$733,399 was recovered from applicants by way of fees and costs and paid into the Consolidated Revenue Fund of the Province.

At the end of the fiscal year the staff of the Board totalled 35. Board members and senior staff were:

R. H. Clendining	- Chairman
I. C. MacNabb	- Vice Chairman
S. J. Wychowanec	- Vice Chairman
H. R. Chatterson	- Member
D. A. Dean	- Member
J. R. Dunn	- Member
D. H. Thornton	- Member
J. C. Butler	- Part-time Member
R. R. Perdue	- Part-time Member
D. M. Treadgold	- Part-time Member
O. J. Cook	- Acting Director of Operations; Manager, Financial Analysis and Energy Returns Officer
P. F. Cunningham	- Administrative Advisor
S.A.C. Thomas	- Board Secretary
D. S. Saxe	- Board Counsel
D. R. Cochran	- Special Projects Officer
C. J. Mackie	- Manager, Engineering

JURISDICTION OF THE BOARD

Under the Ontario Energy Board Act

Approving or fixing rates and other charges for the sale of gas by transmitters, distributors and storage companies and for the transmission, distribution and storage of gas.

Ensuring compliance by gas utilities with the Uniform System of Accounts.

Granting leave to construct pipelines and related facilities.

Granting authority to expropriate land for pipelines and related facilities and authorizing pipelines to cross highways, utility lines and ditches.

Recommending to the Lieutenant Governor in Council the creation of designated gas storage areas and authorizing their use and arbitrating compensation payable to landowners under certain conditions.

Approving gas storage agreements and permitting a transmitter or distributor to use the empty space of a storage company.

Unitizing the interests in gas and oil spacing units and pools.

Reporting to the Lieutenant Governor in Council, after hearings, on applications by gas utilities to sell their assets or amalgamate with other utilities and on applications by persons to acquire shares of a gas utility which would result in a holding of more than 20 per cent of such shares.

Reporting to the Lieutenant Governor in Council on energy questions referred to the Board.

Examining into and reporting to the Minister of Energy on Hydro rates and rate-related matters, pursuant to references from the Minister.

Under the Municipal Franchises Act

Approving the terms of a proposed by-law granting a franchise to supply gas to a municipal corporation or distribute gas in the municipality, and extending the term of such franchise or of a transmission franchise.

Granting certificates of public convenience and necessity to construct works and supply gas in municipalities.

Under the Petroleum Resources Act

Reporting to the Minister of Natural Resources, pursuant to references from him, on certain applications for permits and licences.

Under the Public Utilities Act

Controlling gas utilities that contravene municipal by-laws prohibiting the distribution and sale of gas containing sulphuretted hydrogen.

Under the Assessment Act

Deciding whether certain gas pipelines are transmission lines for assessment purposes.

The Toronto District Heating Corporation Act, 1980*

Fixing steam rates for certain customers of the Toronto District Heating Corporation, formerly the Toronto Hospitals Steam Corporation, upon appeal by the customer. *(Section 14 of this Act, the section which relates to the Board, was proclaimed in force on November 1, 1982.)

NATURAL GAS RATE CHANGES GRANTED TO
UNION GAS LIMITED
FOR TYPICAL RESIDENTIAL CUSTOMERS
(FISCAL YEAR APRIL 1, 1982 TO MARCH 31, 1983)

A typical residential customer, using $3.54 \times 10^3 \text{m}^3$ of gas annually for space and water heating, would have incurred an annualized cost of approximately \$687 based on rates in effect at the beginning of the fiscal year.

During the fiscal year the following rate changes were granted:

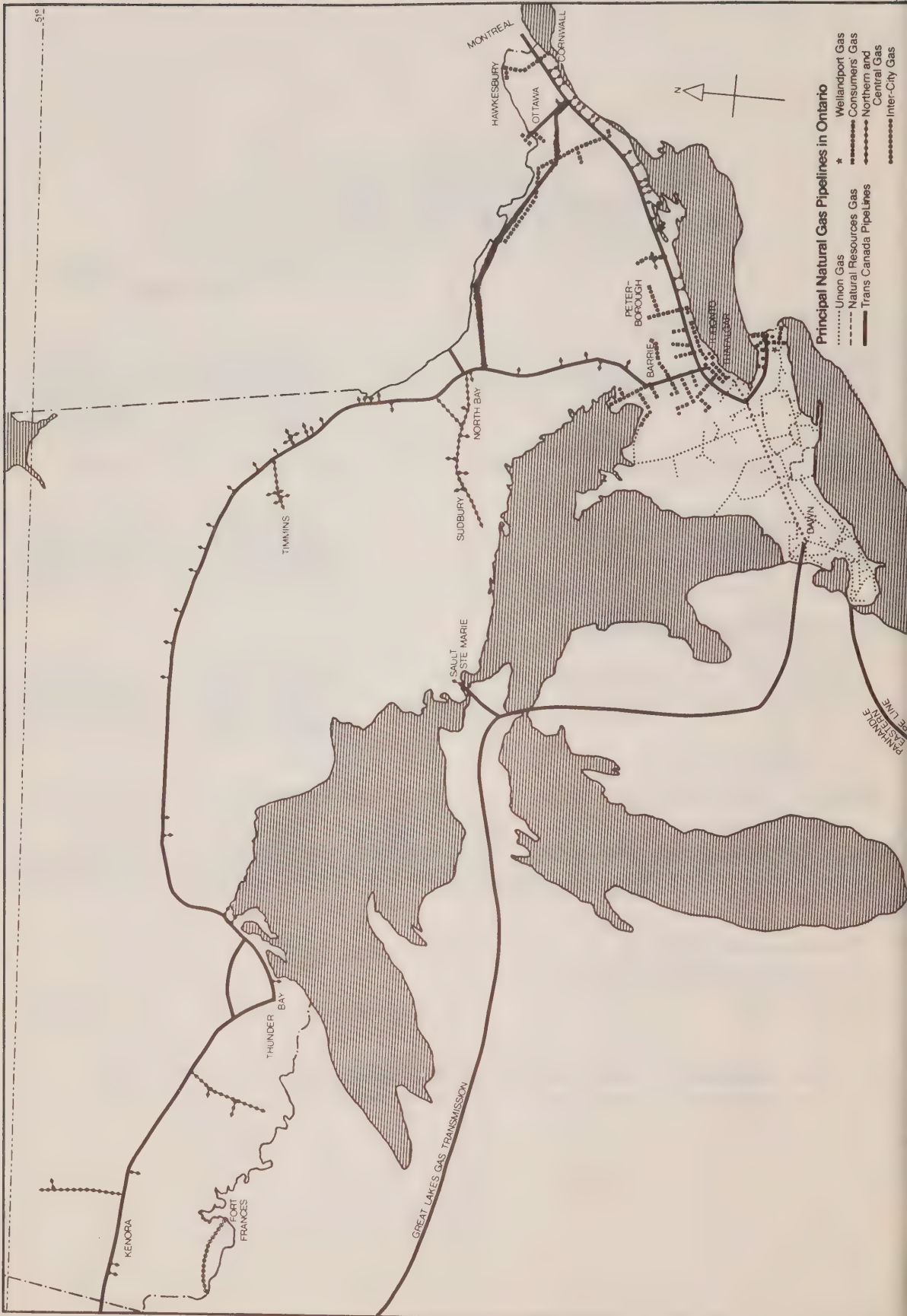
Effective Date	Amount per 10^3m^3	Reason	Annualized effect on typical resi- dential customer
	\$		\$ (approximately)
April 15, 1982	11.65	revenue deficiency	41
December 13, 1982	<u>13.77</u>	wholesale gas costs	<u>49</u>
	<u>25.42</u>		<u>90</u>

Based on the above, the annualized cost for a typical residential customer at the end of the fiscal year would have been approximately 13.1 percent higher or approximately \$777.

SELECTED STATISTICS
 MAJOR ONTARIO NATURAL GAS UTILITIES*
 (Fiscal Year April 1, 1982 to March 31, 1983)

	<u>1983</u>	<u>1982</u>
	(rounded)	
<u>Number of Customers:</u>		
Residential	1,199,400	1,142,600
Commercial & Industrial	138,600	136,800
Total	<u>1,338,000</u>	<u>1,279,400</u>
<u>Sales Volume: (10³m³)</u>		
Residential	4,299,600	3,987,100
Commercial & Industrial	14,462,400	14,650,400
Total	<u>18,762,000</u>	<u>18,637,500</u>
<u>Sales Revenue: (\$000)</u>		
Residential	796,800	623,300
Commercial & Industrial	1,960,800	1,714,800
Total	<u>2,757,600</u>	<u>2,338,100</u>
<u>Distributors' Cost of Natural Gas: (\$000)</u>	2,423,500	1,894,700
<u>Capital Invested in Utility Operations (Rate Base) (\$000)</u>	2,035,200	1,828,500
<u>Transmission and Distribution Pipelines:</u>		
Kilometers	39,200	36,900

* The Consumers' Gas Company Ltd., Northern and Central Gas Corporation Limited and Union Gas Limited.



A decision can be changed

Board decisions may be challenged in three different ways:

the Board may itself review a decision either upon the application of any interested party or upon its own initiative;

interested parties may, within twenty-eight days of a decision, petition the Cabinet of the Ontario government to review it; or

upon questions of law or jurisdiction, application for judicial review may be made to the Divisional Court.

Other matters

The Ontario Energy Board is responsible for more than just natural gas rates. It regulates other matters relating to the oil and gas industry, including pipeline construction and gas distribution franchises.

The Board also reviews annually the wholesale rates proposed by Ontario Hydro and makes written recommendations on them to the Minister of Energy. The Board does not, however, review the rates of municipal electric utilities.

A more precise explanation of the Board's authority and procedures may be found in the Ontario Energy Board Act and Regulations, the Municipal Franchises Act, and the Petroleum Resources Act.

For further information, please contact:

Board Secretary
Ontario Energy Board
4 Carlton Street, 9th Floor
Toronto, Ontario
M5B 1J2

Telephone (collect): 416/598-4000



Ontario
Energy
Board

12/1981

How Does a Gas Utility Change Its Rates?



Ontario
Energy
Board

Under Ontario law the private gas utilities cannot set their own selling prices. If they want a rate change they must apply to the Ontario Energy Board.

Some basic facts

The three largest Ontario gas utilities are *Consumers' Gas* (serving parts of central and eastern Ontario and operating also as *Brockville Gas*, *Grimsby Gas*, *Ottawa Gas*, and *Provincial Gas*); *Northern and Central Gas* (serving parts of northern and eastern Ontario); and *Union Gas* (serving parts of southwestern Ontario).

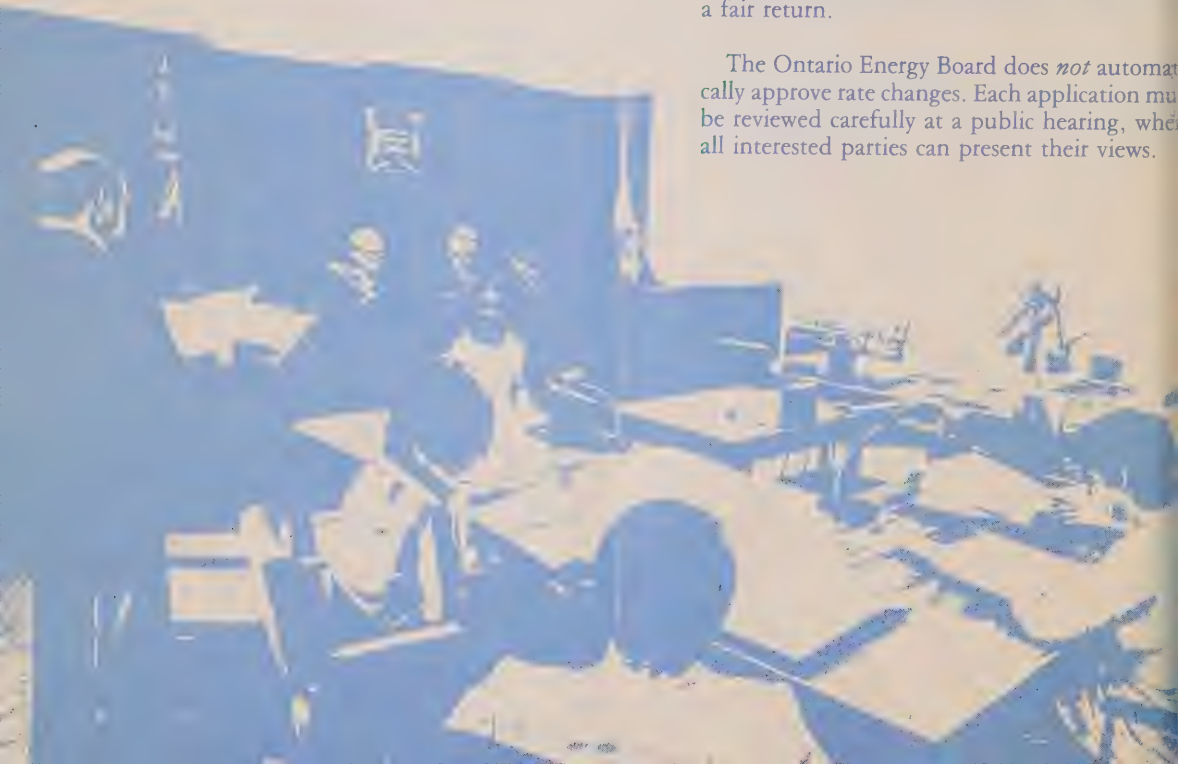
Smaller areas are served by *Natural Resources Gas*, *Inter-City Gas*, and *Wellandport Gas*.

All these utilities are under the jurisdiction of the Ontario Energy Board.

The gas utilities in Kingston and Kitchener are municipally owned and controlled. Their rates are not determined by the Ontario Energy Board.

The Ontario Energy Board limits the income of the natural gas utilities in Ontario and controls the rates they charge for gas being sold to the customers. The Board is responsible for setting rates that are as low as possible while providing investors in the gas utility an opportunity to earn a fair return.

The Ontario Energy Board does *not* automatically approve rate changes. Each application must be reviewed carefully at a public hearing, where all interested parties can present their views.



Ontario produces less than 2 per cent of its natural gas needs. Most of its supply comes from western Canada by two pipeline systems, one across Canada through northern Ontario and the other through the United States re-entering Canada near Sarnia.

The federal government sets the price Ontario gas distributors must pay for gas from western Canada. This factor has accounted for about 78 per cent of residential rate increases in recent years, with the balance due to the increased operating costs of the Ontario gas utilities.

What happens before the hearing?

The gas utility's application

Rate review begins when a gas utility files an application for a rate change. The utility must also file enough written information so the Board can conduct a thorough review of the financial position of the utility and the appropriateness of the new rates being requested. If the Board feels that the information is inadequate, further information is always obtained. The Board staff examines all the material prior to the public hearing.

Notice to the public

After receiving the gas utility's application, the Board instructs the utility to notify affected parties.

Municipal governments in the gas utility's service area are always informed by registered mail or courier. For the thousands of individual customers, notification is by newspaper advertisements like the following example. Sometimes a hearing date is included in the advertisement. In either case, instructions to potential participants are set out.

XXXXXXXXXXXX COMPANY

NOTICE OF RATE APPLICATIONS

TAKE NOTICE that XXXXXXXX COMPANY, XXXXXXXX Company, has filed with the Ontario Energy Board main and interim applications for just and reasonable rates and other charges for the sale of gas. All customers of the Applicant are affected.

The Applicant requests interim rate relief:

- (a) of about \$4 per Mcf due to the Federal excise tax increases of May 1, 1981, and July 1, 1981, and
- (b) to recover about \$5 million to prevent a revenue deficiency occurring in its 1982 fiscal year in relation to the fair rate of return, representing rate increases of about \$4 per Mcf for residential, \$1 for firm commercial and industrial and \$1 for interruptible customers, and
- (c) to recover increases in the cost of gas, taxes and other costs during the course of the main application.

Copies of the applications are available upon request from the Applicant's solicitors, XXX.

Any person who intends to oppose or otherwise intervene in the applications shall, within 14 days after publication of this notice, file an answer (notice of intervention) in duplicate with the Board Secretary, 9th Floor, 14 Carlton Street, Toronto, Ontario M5B 1J7, and serve the same upon the Applicant's solicitors, either personally or by registered mail. The answer shall contain a clear and concise statement of his interest, his grounds for opposing or otherwise intervening, and his address for service. The Board has directed the Applicant to forward a copy of its pre-filed evidence to any person requesting it in his answer. Until completion of proceedings under the main application, notice of hearing of subsequent specific requests for interim rate relief will be given only to persons who have filed an answer to the main application.

The Board will subsequently fix dates for hearing. All persons who file an answer will receive notices of hearing. Persons not filing an answer will not be entitled to any further notice in the proceedings. In its decisions the Board may change any rate or other charge proposed by the Applicant.

DATED at Toronto this _____ day of _____, 19____.

ONTARIO ENERGY BOARD
Board Secretary

Who can participate?

All gas customers, whether residential customers or large industrial users, are entitled to participate. So are municipalities and groups or associations that wish to present a collective point of view. Those that do participate are called intervenors. Although lawyers or agents frequently represent intervenors, this is not essential; individual citizens do appear and speak for themselves.

How to intervene

Within the period specified in the notice, usually two weeks, the prospective intervenor must inform the Board in writing of the intention to intervene, sending a copy to the gas utility's lawyers as well.

The intervenor should say if he or she wishes to appear at the hearing. Recognizing that some people cannot attend at all stages or arrange for someone to be present on their behalf, the Board Secretary will try to arrange a time when a participant may be heard.

Although it is sometimes more effective to appear in person (or be represented by a lawyer, agent, or a group spokesman), a simple intervention can be made by writing a letter to the Board Secretary for presentation at the hearing.

Whether a letter is written for filing at the hearing or a party wishes actually to participate, the written notice of intervention should indicate why the person has an interest in the outcome of the hearing and the reasons for supporting or opposing the gas utility's application. A written submission providing other details may also be helpful. An intervenor may file his submission later, after requesting and reading the utility's pre-filed evidence.

Board staff and counsel are available to assist the public to intervene. The Board Secretary should be contacted if assistance is required.

Once the date and location of the hearing have been established, the Board Secretary will arrange for the intervenors to be notified.

Pre-hearing conferences

It is often helpful if participants hold a meeting to review the material for clarification, to define their differences, and to arrange procedural matters before the hearing. All intervenors receive notice of, and are encouraged to attend, these public conferences.

The hearing

Anyone is welcome to attend a hearing, which may last from a few days to several weeks. Hearings are usually held in the Board offices in Toronto.

At the hearing the utility must prove that it needs the rate changes applied for. The Board usually hears the utility's evidence first. Intervenors may ask questions of the utility witnesses or make their views known by giving evidence, or by presenting a submission, or all three. Persons giving evidence can be questioned by all participants at the hearing, including lawyers representing the utility, Board staff, and the Board members themselves.

A transcript of the hearing is taken. A copy is available at the Board offices for inspection by any member of the public.

Interim hearings

If a gas utility believes that a change in its cost of buying gas or in other costs of doing business will cause it to suffer immediate financial difficulties, it can apply for an interim rate change. These interim rate applications also require public hearings, which last only a day or so. When interim rate changes are granted they are still subject to review at the main hearing.

After the hearing

The Board's decision and order

After hearing all evidence and submissions, the Board members who heard the case deliberate and make a decision. The Board's decision is then written and released.

The Board may deny the rate change requested, grant a portion of it, or approve the entire request if it is justified. The decision is accompanied by reasons for decision.

Finally, a Board order is issued, and the rate changes become effective. All participants receive copies of the decision and order, which are also available to the public.

0A2 QN
EB
-A56



Ontario
Energy
Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1984





Ministry
of
Energy

Queen's Park
Toronto, Ontario
M7A 2B7
416/965-4286
Telex 06217880

August 31, 1984

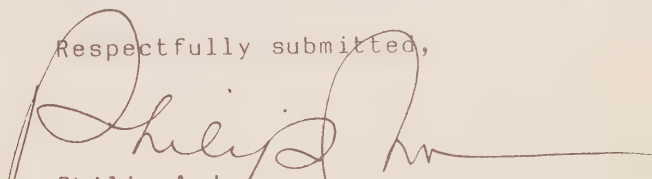
TO THE HONOURABLE JOHN BLACK AIRD
O.C., Q.C., B.A., LL.D.

Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the
Twenty Fourth Annual Report of the Ontario Energy
Board for the fiscal year ended March 31, 1984.

Respectfully submitted,



Philip Andrewes
Minister of Energy



an
Ontario
Energy
Board

9th Floor
14 Carlton Street
Toronto, Ontario
M5B 1J2

416/598-1600

June 29, 1984

Honourable Philip Andrewes
Minister of Energy
Queen's Park
Toronto, Ontario
M7A 2B7

Dear Minister:

I have the honour to present herewith the
Annual Report of the Ontario Energy Board for the
fiscal year ended March 31, 1984.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "R. H. Clendining".

Robert H. Clendining
Chairman



Ontario

Ontario
Energy
Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1984

Copies available for \$2.50 prepaid from Ontario Government Bookstore, 880 Bay Street, Toronto; telephone (416) 965-2054.

Out-of-town customers please write (enclosing cheque or money order payable to the 'Treasurer of Ontario') to Ministry of Government Services, Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8.

Telephone:	(416) 965-6015
Toll-free long distance:	1-800-268-7540.
Northwestern Ontario	0-Zenith 67200.

ISSN 0317-4891

7C 8:84

CONTENTS

Page

INTRODUCTION

The Board	1
Role of the Board	1
Jurisdiction of the Board	1
Overview	3

REGULATORY HEARINGS

Natural Gas Rates

Introduction	5
The Consumers' Gas Company Ltd.	6
Inter-City Gas Corporation	8
Natural Resource Gas Limited	9
Northern & Central Gas Corporation Limited	9
Tecumseh Gas Storage Limited	11
Union Gas Limited	12
Wellandport Gas Company Limited	15

Gas Storage	15
-------------------	----

Certificates and Franchises	15
-----------------------------------	----

Pipelines

Construction	16
Exemptions	17

Accounting Orders	17
-------------------------	----

ADVISORY HEARINGS

Ontario Hydro	18
Natural Gas Used as a Feedstock	21
Permits and Licences	24

ONTARIO PIPELINE COORDINATION COMMITTEE	25
---	----

ADMINISTRATION	27
----------------------	----

APPENDICES

- 'A-1' Residential Rates Changes Granted
 - The Consumers' Gas Company Ltd
- 'A-2' Residential Rates Changes Granted
 - Northern & Central Gas Corporation Limited
- 'A-3' Residential Rates Changes Granted
 - Union Gas Limited
- 'B' Board Recommendations Relating to the Ontario Hydro 1984 Rate Proposal
- 'C' Principal Natural Gas Pipelines in Ontario
- 'D' Board Functional Organization Chart
- 'E' Selected Statistics
 - Major Ontario Natural Gas Utilities

Most of the quantitative references in this Report are expressed in metric units. The following conversion table is provided for your convenience.

1 cubic metre(m^3)	=	0.0353 thousand cubic feet(Mcf)
1 thousand cubic metres(10^3m^3)	=	0.0353 million cubic feet(MMcf)
1 kilometre(km)	=	0.6214 miles

1 thousand cubic feet(Mcf)	=	28.328 cubic metres(m^3)
1 million cubic feet(MMcf)	=	28.328 thousand cubic metres(10^3m^3)
1 mile	=	1.609 kilometres(km)

INTRODUCTION

The Board

The Ontario Energy Board is a quasi-judicial regulatory agency of the Government of Ontario. It is comprised of Members, appointed by the Lieutenant Governor in Council under the Ontario Energy Board Act, and technical and administrative staff, appointed under the Public Service Act. The Board is responsible to the Legislature through the Minister of Energy.

Role of the Board

The Board regulates all natural gas utilities in Ontario except those municipally owned and controlled. It is responsible for determining rates and charges for the transmission, storage, distribution and sale of natural gas in the province; for the designation and authorization of natural gas storage areas; for authorizing construction of transmission lines; for authorizing expropriations for natural gas pipelines; and for approving franchises for natural gas utilities to serve designated areas. The Board acts upon references from the Minister of Energy regarding Ontario Hydro wholesale rates and other rate-related matters; from the Minister of Natural Resources regarding certain oil and gas matters; and from the Lieutenant Governor in Council on any question respecting energy.

Jurisdiction of the Board

Under the Ontario Energy Board Act

Approving or fixing rates and other charges for the sale of gas by transmitters, distributors and storage companies and for the transmission, distribution and storage of gas.

Ensuring compliance by gas utilities with the Uniform System of Accounts.

Granting leave to construct pipelines and related facilities.

Granting authority to expropriate land for pipelines and related facilities and authorizing pipeline crossings of highways, utility lines and ditches.

Recommending to the Lieutenant Governor in Council the creation of designated gas storage areas, authorizing their use and arbitrating compensation payable to landowners under certain conditions.

Approving gas storage agreements and allocating surplus storage facilities to a transmitter or distributor.

Unitizing the interests in gas and oil spacing units and pools.

Reporting to the Lieutenant Governor in Council on applications by gas utilities to sell their assets or amalgamate with other utilities and on applications by persons to acquire shares of a gas utility which would result in a holding of more than 20 per cent of such shares.

Upon reference from the Lieutenant Governor in Council, reporting on any question respecting energy.

Upon reference from the Minister of Energy, reporting on Ontario Hydro rate proposals and related matters.

Under the Municipal Franchises Act

Approving the terms of a proposed by-law granting a franchise to supply gas to a municipal corporation or to distribute gas in the municipality, and extending the term of such franchise or of a transmission franchise.

Granting certificates of public convenience and necessity to construct works and supply gas in municipalities.

Under the Petroleum Resources Act

Upon reference from the Minister of Natural Resources, reporting on certain applications for permits and licences.

Under the Public Utilities Act

Controlling gas utilities that contravene municipal by-laws prohibiting the distribution and sale of gas containing sulphuretted hydrogen.

Under the Assessment Act

Deciding whether certain gas pipelines are transmission lines for assessment purposes.

Under the Toronto District Heating Corporation Act, 1980

Upon appeal by a customer, fixing steam rates for certain customers of the Toronto District Heating Corporation.

Overview

[The operating environment of the Board during the fiscal year was affected by various changes. In addition to a decline in inflation, Federal Government arrangements with Alberta resulted in a lessening of the rate of increase in the wholesale cost of gas to the utilities. As a consequence of these and other factors, there were less significant rate applications filed by Ontario utilities and fewer rate increases granted. This trend is expected to continue in the current fiscal year.

When each rates application was being considered, the utility was required to inform the Board whether it was operating within the Ontario Government restraint program and that it had taken steps to remain within the guidelines for the duration of the program.

In addition to the annual reference from the Minister of Energy regarding Ontario Hydro wholesale rates, the Board also received a direction from the Lieutenant Governor in Council to hold public hearings and report on aspects of natural gas supply and pricing of concern to Ontario industries using natural gas as a feedstock. These references and eleven applications for gas rate changes, as well as thirty-one other proceedings, were considered by the Board and are summarized in this Report.

REGULATORY HEARINGS

Natural Gas Rates

Introduction

On June 30, 1983 the Federal Government announced that an amendment to the September 1, 1981 Memorandum of Agreement had been successfully negotiated with the Government of Alberta. The effect of this amendment was to stabilize natural gas pricing to January 31, 1985. During this period, the wholesale price for natural gas was not to exceed 65 percent of the price of oil.

During the fiscal year, this action had a beneficial influence in moderating the previous escalation of natural gas rates in Ontario. The effect of this moderation on typical residential customer rate changes granted to each of the three major Ontario gas utilities is shown in the Appendices.

A comparison of Federal Government changes in wholesale gas costs to the utilities for the past two fiscal years is set out below:

		<u>Amount of Increase (Decrease)</u>		
		\$ per 10 ³ m ³		
<u>1983-84</u>		<u>1982-83</u>		
August	1, 1983	(0.38)	August 1, 1982	9.38
			September 1, 1982	4.51
February	1, 1984	0.38	February 1, 1983	2.24

The Consumers' Gas Company Ltd.

Consumers' distributes natural gas in parts of southern and eastern Ontario, including Metropolitan Toronto. It also operates under the names of Brockville Gas, Grimsby Gas, Ottawa Gas and Provincial Gas.

Consumers' previous rates application for its 1983 test year was summarized in the last Annual Report. However, Board Reasons for Decision relating to Phase II of that application were not issued until April 26, 1983. The Board concluded, among other things, that future cost allocation studies should be based on rate schedules, including a separation between small volume and large volume high load factor service (Rate 110). The Board also concluded that establishing Cyanamid Canada Inc. (a current Rate 110 customer) as a separate rate class was not justified.

The Board recognized the trend of increasing indicated overcontribution from the high load factor customer class (Rate 110) compared to the continuing increase in the indicated undercontribution of the residential customer class. In order to modify this trend and to recognize the non-cost factors, the Board ordered the utility to reduce the commodity charge to Rate 110 customers. The revenue shortfall resulting from this reduction in rates was to be recovered through rate increases to the residential and general service customers.

Consumers' new main rates application for its 1984 test year was filed in April and heard in June, July and August, 1983. Consumers' requested rate increases to avoid incurring a forecast revenue deficiency of \$19.5 million in its 1984 fiscal year. In its Reasons for Decision of November 1, 1983 the Board determined that a reasonable rate of return on rate base was 12.80 percent and, after making a number of adjustments, that there would be no revenue deficiency in Consumers' 1984 fiscal year and, therefore, no need for rate increases.

The following table shows the significant financial elements of Consumers' final submission and the Board Decision for the 1984 test year. The previous Board Decision for the 1983 test year is shown for comparison.

	EBRO 386 Previous Board Decision Jan. 26/83	EBRO 395 Final Consumers' Submission	New Board Decision Nov. 1/83
	Test Year 1983	Ending September 1984 (\$000's)	30 1984
Rate Base	1,155,729	1,225,600	1,211,700
Utility Income	134,934	150,200	155,100
Indicated Rate of Return on Rate Base	11.67%	12.26%	12.80%
Cost of Capital			
Long-term Debt	11.48%	12.11%	12.11%
Unfunded Debt	13.50%	10.30%	10.00%
Preference Shares	9.87%	11.07%	10.98%
Accumulated Tax Deferrals	-	-	-
Common Equity	15.75%	16.00%	15.30%
Allowed Rate of Return on Rate Base	12.52%	13.05%	12.80%
Revenue Deficiency	20,100	19,500	0

Consumers' proposed to recover \$23.345 million in unabsorbed demand charges through rates in its 1984 test year of which \$20.341 million was expected to be incurred in its 1983 fiscal year. It further proposed that \$5.223 million forecast unabsorbed demand charges in 1984 should be recovered in rates in its 1985 fiscal year. The Board decided that of the total forecast of \$28.568 million, \$8.227 million should be recovered via rates in Consumers' 1984 test year. The Board also allowed the recovery through rates, in Consumers' 1984 test year, of unabsorbed demand charges of \$7.090 million forecast to be incurred in Consumers' 1983 fiscal year. The total recoverable unabsorbed demand charges in the test year were, therefore, \$15.317 million.

As previously noted, Cyanamid Canada Inc. requested that it be placed in a separate rate class for firm gas service and that it be charged a "cost based" (as distinct from "cost related") rate for the balance of 1983 and a "decremental rate" from January 1, 1984. These requests were denied by the Board. On November 28, 1983 Cyanamid petitioned the Lieutenant Governor in Council to vary the Board Decision by ordering Consumers' to comply with Cyanamid's requests and make appropriate adjustments. This petition was pending at the end of the fiscal year.

Inter-City Gas Corporation

Inter-City is a Manitoba-based gas utility which distributes gas in and west of Fort Frances, Ontario.

Inter-City had filed a new main rates application on August 12, 1982. Pending the hearing of the main application, Inter-City, on August 8, 1983, requested an interim order, without a hearing, to provide for a reduction in its gas rates. By Order dated August 25, 1983 the Board granted the requested reduction of 6.04 cents per Mcf effective September 1, 1983.

A further Order, dated March 16, 1984, granted a one-time rate refund of 4.69¢ per Mcf reflecting a reduction by the U.S. Federal Energy Regulatory Commission of the transportation rate of Inter-City Minnesota Pipelines Limited.

By application dated January 16, 1983 Inter-City applied for temporary winter service rates to Boise Cascade Canada Limited for the period November, 1983 to March, 1984 inclusive. This application was deferred to the hearing of the main application which was pending at the end of the fiscal year.

Natural Resource Gas Limited

Natural Resource Gas (NRG) is a small utility serving Aylmer and surrounding communities and acquires its natural gas supply from Union Gas, Consumers' Gas and local producers.

NRG filed a main rates application on February 21, 1983. On July 21, 1983 NRG applied for an interim increase in its rates, effective August 1, in order to recover increases in the wholesale cost of gas. The interim hearing commenced on October 28, 1983 at which time it was adjourned until further notice at the request of NRG. On February 23, 1984 NRG withdrew its interim application and it was decided to proceed with the main application. Consideration of the main application began on April 30, 1984 and after two days of hearing was adjourned pending resolution of NRG's gas supply agreement with Union Gas.

Northern and Central Gas Corporation Limited

Northern and Central distributes natural gas in parts of northern and southeastern Ontario.

As noted in the previous Annual Report an Order-in-Council dated March 16, 1983 prevented the Board from issuing an Order implementing its March 8, Reasons for Decision because the Minister of Consumer and Commercial Relations had referred the Decision to the Inflation Restraint Board (I.R.B.) for consideration. The I.R.B. changes are identified in the table which follows.

By application dated June 2, 1983 Northern claimed that it would experience a revenue deficiency of \$9,354,300 in its 1984 test year. It proposed that this deficiency be recovered entirely from its fixed rate classes. This application was heard in October, and the Board Reasons for Decision were issued on December 30, 1983.

The following table shows the significant financial elements of Northern's final submission and the Board Decision for the 1984 test year. The previous Board Decision for the 1983 test year is shown for comparison.

	EBRO 384 Previous Board Decision <u>Mar. 6/83</u>	EBRO 396 Final Northern Submission	New Board Decision <u>Dec. 30/83</u>
	Test Year Ending December 31 1983	1984	1984
	(\$000's)		
Rate Base	237,986.7	274,215.0	273,715.0
Utility Income	23,412.5	31,448.3	31,683.9
Indicated Rate of Return on Rate Base	9.84%	11.47%	11.58%
Cost of Capital			
Long-term Debt	11.91%	12.55%	12.55%
Preference Shares	5.55%	6.16%	6.16%
Accumulated Tax Deferrals	3.00%	3.00%	3.00%
Common Equity	16.00%*	16.25%	15.75%
Allowed Rate of Return on Rate Base	12.65%*	13.14%	12.98%
Revenue Deficiency	13,620.0*	9,354.3	7,820.4

* Subsequently revised as follows by Order-in-Council 1754/83 dated June 24, 1983 based on Inflation Restraint Board review.

Common Equity	15.85%
Allowed Rate of Return on Rate Base	12.59%
Revenue Deficiency	13,329.2

The Board determined that a \$7,820,400 revenue deficiency would exist in the 1984 test year and accepted the method proposed by Northern for the recovery of this deficiency from the fixed rate classes. This would result in a maximum annual increase of about 4 percent for a typical residential customer. The Board confirmed an interim rate decrease to special contract customers based on cost allocation evidence and its conclusion that rate increases to industrial customers at that time could precipitate further reductions in sales and the potential

loss of industrial customers to an alternate fuel source which would have the effect of increasing rates to all remaining customers.

The Board rejected Northern's request to recover in rates, over the next five years, a TransCanada Pipelines demand charges payment of \$2.3 million (including \$1 million interest) as a result of unsuccessful litigation concerning a contract between the companies. The Board also rejected Northern's proposal for a deferred account to accumulate unrecovered demand charges resulting from future "force majeure" situations with its contract customers.

Tecumseh Gas Storage Limited

Tecumseh provides underground gas storage facilities in Lambton County to serve Consumers' Gas. It does not distribute natural gas.

On March 7, 1983 Tecumseh applied for increased rates to be charged for the storage and transportation of gas. This application was heard in May and the rate proposals were approved subject to adjustment to reflect the reduced revenue deficiency determined by the Board.

The following table shows the significant financial elements of Tecumseh's final submission and the Board Decision. The previous Board Decision is shown for comparison.

	EBRO 385 Previous Board Decision <u>July 20/82</u>	EBRO 394 Final Tecumseh Submission <u> </u>	New Board Decision <u>June 20/83</u>
	Test Year Ending March 31		
	1983	1984 (\$000's)	1984
Rate Base	51,260.8	54,228.4	54,179.9
Utility Income	3,933.2	5,736.3	5,886.9
Allowed Rate of Return			
on Rate Base	12.39%	13.27%	13.07%
on Common Equity	15.00%	15.00%	14.50%
Revenue Deficiency	2,418.0	1,458.7	1,192.0

Union Gas Limited

Union distributes natural gas in most of southwestern Ontario.

As noted in the previous Annual Report, a main rates application for Union's 1984 test year was filed in July, 1982 with pre-filing of evidence completed in September. The hearing began in December, 1982 and argument was completed in February, 1983.

The following table shows the significant financial elements of Union's final submission and the Board Decision for the 1984 test year. The previous Board Decision for the 1983 test year is shown for comparison.

	EBRO 382 Previous Board Decision <u>April 8/82</u>	EBRO 388 Final Union Submission	New Board Decision <u>April 22/83</u>
	Test Year Ending March 31		
	1983	1984	1984
	(\$000's)		
Rate Base	713,350	867,071	809,150
Utility Income	78,278	80,153	85,364
Indicated Rate of Return on Rate Base	10.97%	9.24%	10.55%
Cost of Capital			
Long-term Debt	11.85%	12.01%	11.96%
Short-term Debt	18.00%	12.00%	10.75%
Preference Shares	7.83%	9.90%	9.90%
Common Equity	16.75%	17.00%	15.60%
Allowed Rate of Return on Rate Base	13.08%	13.08%	12.65%
Revenue Deficiency	31,062	67,515	39,355

One of the cost items contributing to Union's claimed revenue deficiency was the fact that the unit cost of synthetic natural gas (SNG) purchased by Union from Petrosar Limited was significantly higher than the unit cost of Union's other gas supplies. The total premium accumulated

under the Petrosar contract during the period November 1, 1981 to March 31, 1983 was approximately \$60 million. However, successful mitigation by Union had reduced the premium to \$9.217 million, which amount the Board directed be collected in rates in Union's 1984 and 1985 fiscal years. The Board further ordered that no part of this net premium was to be included in rate base nor interest paid on this amount after March 31, 1983.

Union forecast a 1984 test year cutback in the Contract Demand (CD) gas supply contract which would result in unabsorbed demand charges of \$8.693 million and it proposed that these be included in its cost of gas for the 1984 test year. The Board disallowed the charges and Union subsequently applied to the Divisional Court for leave to appeal the Board decision in this regard. Leave to appeal was granted but the appeal was dismissed on November 1, 1983.

Union's proposal to recover the revenue deficiency from the various customer classes on an incremental basis was accepted by the Board. However, the Board did not accept Union's proposed structural change to its rate schedules. Further, Union's proposal to revert to two rate schedules instead of the current single schedule for residential and non-contract commercial and industrial customers was rejected by the Board in the interests of stability and in the absence of any compelling reason for such a split at this time.

During this proceeding the Board authorized two rate changes on an interim basis, subject to adjustment, to recover increases in the cost of gas. The Board decision confirmed the Interim Orders and directed that \$300,000 in inventory credits be passed on to the affected customers. The Board also ordered the recovery of the reduced revenue deficiency by increasing designated rate schedules.

The Board expressed concern about the alternating increases in the demand and commodity components of rate schedules. The semi-annual gas cost pass-throughs, imposed by the Canada/Alberta energy pricing Memorandum of Agreement prior to the time of this hearing, had resulted in increases in the commodity charge, whereas past annual revenue deficiencies impacted more heavily upon the demand component. The Board is primarily concerned with rate stability but it also recognizes that this may result in an inherent and unavoidable characteristic when "passing through" the upstream cost of gas. The Board is to be kept informed of Union's continuing efforts to maintain reasonable relationships between commodity and demand charges.

A new rates application for Union's 1985 test year was filed in September, 1983. This application was heard in December, 1983 and in January and March, 1984. The hearing was adjourned on January 23 to prepare for consideration of the matter of a security deposit required by Union from Natural Resource Gas Limited. The hearing was reconvened on March 2, 1984 and concluded in the same month. The Board decision was pending at the end of the fiscal year. (Reasons for Decision regarding rates were subsequently issued on April 24, 1984 followed by Supplementary Reasons for Decision regarding the NRG security deposit on April 26, 1984.)

Union Gas Limited Joint Venture with Imperial Oil Limited

In 1968 Union and Imperial entered into a joint venture for the development and use of the designated gas storage areas known as the Bickford Pool and the Sombra Pool. Union was named operator of this joint venture. For some years Union has had an application pending for the fixing of final rates for storage service by the joint venture, thus enabling the Board to deal with the matter on an interim basis. The main rates hearing commenced on March 27 and concluded on April 5, 1984 and the Board decision is pending.

Wellandport Gas Company Limited

Wellandport is a small natural gas utility serving customers in the Townships of West Lincoln and Wainfleet in the Regional Municipality of Niagara. It produces most of its own natural gas but also purchases some from Union Gas.

On January 6, 1984 the Board approved, without a hearing, Wellandport's December, 1983 application to extend its existing interim rates for the sale of gas for a period of not more than one year commencing December 13, 1983.

Gas Storage

On September 22, 1983, following a hearing, the Board designated Gaiswinkler Enterprises Limited as manager of a tertiary production operation in the Gobles Pool, previously managed by Rayrock Resources Limited.

Certificates and Franchises

During the fiscal year the Board granted four certificates of public convenience to Northern & Central Gas Corporation Limited as follows:

- a) Town of Picton, Villages of Bloomfield and Wellington, Township of Hallowell;
- b) Town of Mattawa;
- c) Village of Sundridge, Township of Strong;
- d) Township of Oliver.

At Northern's request, the Board also amended the certificate granted in the previous fiscal year for the Town of Valley East.

The Board also approved or prescribed the terms and conditions of twelve franchise agreements for the distribution of natural gas, as follows:

Consumers' Gas - Townships of Mono and Clarence

Northern and Central Gas - Towns of Picton* and Mattawa*;
 Townships of Hallowell; Brighton;
 Sophiasburgh*; Strong* and
 Oliver*;
 Villages of Bloomfield;
 Chesterville and Wellington.

* municipalities enfranchised for the first time.

Pipeline Construction

Six applications for leave to construct by Northern & Central and one by Union Gas were heard in the fiscal year, as follows:

Northern and Central

- from TCPL Transmission Line, to District Regulator Station, Town of Brighton.
- from Township of Sophiasburg to Village of Wellington.
- from Town of Rayside-Balfour to Town of Valley East.
- from Township of Papineau to Town of Mattawa.
- from Village of South River to Township of Strong.
- from Township of Paipoonge to Township of Oliver.

Union Gas

- from St. Mary's to Beachville.

These were all approved subject to conditions concerning environmental and construction aspects, and with provisions for the filing of post-construction cost and environmental information.

Pipeline Exemptions

In special circumstances the Board may exempt a person from obtaining leave to construct a particular transmission pipeline. During the fiscal year the Board granted Union Gas an exemption from hearing in the case of the Brantford Township NPS6 Line.

Accounting Orders

Under the Board Uniform Accounting Procedures, Union Gas requested three accounting orders, for (a) a change in depreciation rates, (b) amortization of the SNG premium for the period November 1, 1981 to March 31, 1983, and (c) an amendment to the Board Accounting Order issued May 4, 1982 with respect to the final accounting of a Petrosar SNG premium account. All three requests were granted.

In addition, the Board received requests from Consumers', Northern & Central and Union for accounting orders authorizing the deferral of the net impact of February 1, 1984 changes in the price component of the cost of natural gas. These requests were pending at the end of the fiscal year.

ADVISORY HEARINGS

Ontario Hydro

A reference was received from the Minister of Energy on April 13, 1983 requesting the Board to examine and report on Ontario Hydro's proposal to change its rates effective January 1, 1984. The hearing commenced May 31 and concluded June 30, 1983, after which argument was submitted by the various parties. The Board reported to the Minister of Energy on August 31, 1983.

Ontario Hydro proposed a total net revenue requirement for 1984 of \$3,767 million, an increase of \$461 million over the level expected in 1983. This revenue increase would be realized through \$124 million in higher sales and \$337 million in the proposed rate increases. The major factors necessitating the increase in the 1984 revenue requirement were forecast by Hydro to be: load and system growth (\$506 million increase), the economic environment (\$162 million increase), and changes in financial, depreciation and accounting policies (\$207 million decrease). Hydro's proposal would have resulted in an average increase of about 9.7 percent for the 321 municipal utilities, the approximately 100 industrial customers and Hydro's rural retail customers.

In its report to the Minister, the Board recommended that the 1984 revenue requirement be reduced by \$116 million, as shown in the Appendices thereby lowering Hydro's proposed average rate increase to 6.3 percent from 9.7 percent.

The Board made the following specific recommendations and comments:

Recommendations Relating to Cost Allocation and Rate Design

1. That the appropriateness of the modified CPP be reviewed as a pre-requisite to the acceptance of any rates based on its use.

2. That Hydro strive to bring seasonal rates into effect in 1985, together with diurnal differentiation and that early notice should be given of this intention.
3. That Hydro ensure that the study of customer classification and diversity benefits is completed and included in its 1985 rate proposal.
4. That Hydro review the sharing of diversity benefits in general and the Bary Correction in particular.
5. That Hydro review the boundary between the generation and transmission functions as well as the proportion of grid costs that should be treated as energy related.
6. That an off-peak excess demand charge should not be included in the rate schedules.
7. That the extended demand interval measurement as proposed by Hydro be accepted.
8. That the interruptible rate discount be adjusted to 81¢ per kW for 1984.
9. That the distributing companies be included with the municipal utilities for cost allocation purposes.
10. That the proposal for impact relief for the direct industrial customers be rejected and the new rate be phased in.
11. That cost allocation methodology proposed and recommended but not implemented should not be excluded from reconsideration in the review of a subsequent rate proposal.
12. That the blended rate proposed by Hydro be rejected.
13. That the intermittent rate as proposed by approved on an experimental basis subject to annual review.
14. That intermittent power should be made available to all bulk power customers and that separate metering or other certain means should be employed to ensure that there is no conversion of firm power to intermittent power.

Recommendations Relating to Future Hearings

1. That Hydro's proposal to alter the schedule for the preparation of load forecast for future hearings be accepted on a trial basis.
2. That the economic assumptions underlying the load forecasts, especially as to economic growth rates be explicitly stated.

3. That the operation of NPD should be continued and that the Board be informed of the negotiations with AECL at the next hearing respecting the cost of steam and OM&A costs.
4. That Hydro's present policy as to the pricing of power used internally is inconsistent with that used for steam and such inconsistency should be reviewed in next year's hearing.
5. Hydro should present an up-to-date review of its progress in obtaining permission for new transmission lines at Bruce in next year's hearing.
6. The treatment of disallowed nuclear agreement payback costs be examined further in next year's hearing.
7. That Hydro submit a report at next year's hearing on the status of its cobalt negotiations with AECL.
8. That Hydro provide more detailed support for its methodology for forecasting hydraulic production at next year's hearing.
9. That the staff and compensation levels for non-regular staff be closely examined at next year's hearing.
10. That in future submissions, overtime costs be shown separately by branches as part of the general compensation information.
*
11. That the Atrium space should be vacated as soon as possible and that the Board should be informed of progress in this area.
12. External marketing advice should be sought by Hydro and presented in evidence, at least in a preliminary fashion, in next year's hearing.
13. Evidence on the magnitude of training costs to be capitalized be filed at next year's hearing.
14. That Hydro prepare a list of consistently delinquent municipalities for introduction at next year's hearing, if requested by the Board to do so.
15. That Hydro be prepared to review its accounting policies, practices and procedures in respect of heavy water in next year's hearing.
16. That Hydro present a thorough review of Lennox for presentation at the next hearing which should include a study of its potential usefulness in the 1990s, the cost to decommission and a proposal to accelerate its write-off.

17. That Hydro produce at next year's hearing a comparison of its capital budgeting and cost control process with that followed by comparable U.S. utilities, including the material filed with those utilities' regulatory boards in regard to this subject.
18. That Hydro in next year's hearing address the issue as to whether the accumulated provision accounts should continue to be treated as debt in computing the debt ratio.

Recommendations Relating to Other Matters

1. That Hydro reconsider policies with respect to exchange gains or losses resulting from premature retirement of debt.
2. That Hydro reconsider policies with respect to specialized training costs.

Comments for Consideration of the Minister

1. That Hydro seek an amendment to the Power Corporation Act to allow it to charge an appropriate rate of interest on its overdue accounts.

Natural Gas Used as a Feedstock

Order-in-Council 316/83, dated February 9, 1983, directed the Board to examine and report on aspects of natural gas supply and pricing of concern to Ontario industries using natural gas as a feedstock. Following the issuance of appropriate notices, all pre-filed evidence was received by July 11 from interested parties. The hearing commenced on July 18, adjourned on August 5, reconvened on September 6 and concluded on September 13, 1983 for a total of 24 hearing days. Final written submissions and replies were filed by October 21, 1983.

Submissions were received from the twenty-one parties listed below and evidence was presented at the hearing by fourteen participants and direct day-to-day participation in terms of cross-examination was conducted by most of those parties. In addition Board staff filed a report requested by Cyanamid relating to cost allocations and an expert witness testified on that study.

- * C-I-L
- * Cyanamid Canada, Inc.
- * Dow Chemical Canada Inc.
- * Nitrochem Inc.
- * Sunoco Inc.
- Urban Development Institute
- * Universal Explorations Ltd.
- Canterra Energy Ltd.
- * Consumer and Corporate Affairs Canada
- * Dome Petroleum Limited
- * Consolidated Natural Gas Limited
- * TransCanada Pipelines Limited
- Industrial Gas Users Association
- Petro-Canada
- * Northern and Central Gas Corporation Ltd.
- * Consumers' Gas Company Ltd.
- * INCO Limited
- * Independent Petroleum Association of Canada
- * Union Gas Limited
- Nova, An Alberta Corporation
- Inter-City Gas Corporation

* presented direct evidence and/or participated at hearing
Note: Consumers Fight Back also appeared briefly.

Among these participants, C-I-L, Cyanamid and Nitrochem, as manufacturers of ammonia-based products, were the largest users of natural gas as a feedstock.

The Board heard submissions concerning two major groups of proposals:

- a) alternative gas supply arrangements, other than the traditional purchase from regulated distributors and,
- b) a province-wide common rate for natural gas used as a feedstock.

and submitted its Report to the Lieutenant Governor in Council on February 10, 1984.

The Board reported that in the short-term the selling prices of the products of the Affected Industries are not influenced by the price of natural gas, but in the long-term they are. The price of gas affects the profitability and consequently the competitiveness of the Affected Industries which have suffered dramatic increases in their gas costs since 1979. The cost of gas to Ontario ammonia producers is higher than that to their competitors in Alberta, the United States and beyond North America. The cost disadvantage is expected to continue through 1986. Financial hardship, to a varying degree, will continue for the Ontario ammonia producers and other large-volume natural gas users as long as the price of gas remains inflexible compared to the variable prices of the end products of these industries.

The Board recommendations were as follows:

1. That direct purchasing of natural gas, regardless of end use, by any Ontario user be endorsed by the Government of Ontario as being in the long-term public interest, provided the interests of the Ontario utilities and their customers can be protected.
2. That the Government of Ontario give consideration to amending the Ontario Energy Board Act as required to fully implement direct purchases.
3. That the Government of Ontario give consideration to supporting the proponents of direct purchasing before the relevant regulatory bodies in other jurisdictions.
4. That the Ontario Energy Board be authorized to receive and review in public rate hearings or such other time as is appropriate any proposed direct purchase arrangements concerning natural gas to be delivered for use in Ontario, with the objective of approving such arrangements if, in the opinion of the Board, they were in the public interest and adequately protect the interests of other parties in Ontario.
5. That the proposal by Nitrochem and Cyanamid for a common feedstock rate be rejected by the Government.
6. That if it is deemed appropriate by the Government to assist ammonia producers in Ontario a direct subsidy be considered by the Government in preference to the indirect subsidy by means of a common feedstock rate.

Permits and Licences

The Board received the following three references from the Minister of Natural Resources respecting applications for permits to drill in designated gas storage areas.

- a) Tecumseh Gas Storage Limited for a permit to drill in the Wilkesport Pool,
- b) Union Gas for a permit to drill in the Dawn 251 Pool,
- c) Forbes Resources for a permit to drill in the Dawn 59-85 Pool.

The Board issued Reports to the Minister recommending granting of the permits in all three cases.

ONTARIO PIPELINE COORDINATION COMMITTEE (OPCC)

The OPCC is an interministerial committee whose purpose is to ensure that pipelines have minimal undesirable effect on the land by requiring that:

- ° environmentally sensitive areas be avoided in route selection;
- ° landowners be adequately notified and informed;
- ° construction procedures and schedules be developed to cause the least disturbance to the right-of-way and surroundings; and
- ° clean-up and restoration measures be responsibly implemented to restore the right-of-way to as good a condition as existed before the project was started.

Chaired by the Board Pipeline Coordinator, the OPCC coordinates the review of Environmental Reports and assists Board staff in the preparation for hearings and the development of conditions of approval for pipeline applications. During the fiscal year, the OPCC monitored the construction of five pipelines approved by the Board to ensure compliance with conditions of Board Orders.

Three Ministries that previously participated in the OPCC on a project specific basis, joined the Committee for all project reviews. The OPCC now consists of representatives from the Ministries of Agriculture and Food, Citizenship and Culture, Consumer and Commercial Relations, Energy, Environment, Municipal Affairs and Housing, Natural Resources, Transportation and Communications and when appropriate, the Niagara Escarpment Commission.

During the fiscal year, the Committee produced comprehensive "Environmental Guidelines for the Construction and Operation of Hydrocarbon Pipelines in Ontario" which were well received by industry. These Guidelines set out the functions and concerns of the OPCC and its relationship

to the Board. Also documented are environmental concerns of the member Ministries, assistance and construction procedures, as well as mitigative measures for various construction activities.

The close working relationship between the National Energy Board (NEB) and the OPCC continued throughout the fiscal year and the concerns of the OPCC were incorporated in the NEB conditions of approval for a pipeline to be constructed in southern Ontario. The OPCC also assisted the Ministry of Energy in the preparation for a NEB hearing regarding a proposed propane terminal and loading facility in Flamborough Township.

During the fiscal year, the OPCC was involved in monitoring various stages of construction of more than 500 kilometres of natural gas pipelines under federal and provincial jurisdiction.

ADMINISTRATION

As part of its continuing program of streamlining the regulatory process, the Board benefited this year from the introduction of monitoring forms which enable it to have a more comprehensive data base of utility activities. The next step in this improvement program is to computerize this information and adapt other emerging technologies to Board operations.

In conjunction with ongoing initiatives regarding the regulatory process, the Board reorganized its staffing structure during the fiscal year. This reorganization, based on functional areas of responsibility, is shown in the Appendices.

Changes in Board Members also occurred during the fiscal year. Messrs. D. M. Treadgold, Q.C. and J. R. Dunn retired. Miss S. J. Wychowanec, Q.C. was appointed Deputy Provincial Secretary for Justice, Mr. R. R. Perdue, Q.C. became a full-time Member and Ms. M. C. Rounding and Mr. J. D. McFadyen were appointed to the Board.

At the end of the fiscal year the staff of the Board totalled 33. Board Members and senior staff were:

R. H. Clendining	-	Chairman
I. C. Macnabb	-	Vice-Chairman
H. R. Chatterson	-	Member
D. A. Dean	-	Member
J. D. McFadyen	-	Member
R. R. Perdue	-	Member
M. C. Rounding	-	Member
D. H. Thornton	-	Member
J. C. Butler	-	Part-time Member
O. J. Cook	-	Energy Returns Officer
P. F. Cunningham	-	Manager, Administrative Services
S.A.C. Thomas	-	Board Secretary
D. Grader	-	Board Solicitor
D. R. Cochran	-	Special Projects Officer

Board total expenditures for the fiscal year were \$2,569,654 of which \$853,981 was recovered from applicants by way of fees and costs and paid into the Consolidated Revenue Fund of the Province.

In Board Notices of Application (which are published in newspapers having major circulation in Ontario) provision is made for those who do not wish to actively participate in the hearing to write to the Board expressing any concerns they may have about the application. These letters are reviewed by Board staff when preparing for the hearing and are summarized at the hearing by Board counsel. In this fiscal year the Board received 113 letters of concern and several petitions, as compared to 667 letters in the previous fiscal year.

In addition to letters of concern regarding specific applications, the Board also receives many letters and telephone calls from natural gas customers relating to a variety of difficulties which have arisen with their gas utility. Board staff discuss some of these matters with the parties in an attempt to resolve the issues and reply to all written complaints.

NATURAL GAS RATE CHANGES GRANTED TO
THE CONSUMERS' GAS COMPANY LTD.
FOR TYPICAL RESIDENTIAL CUSTOMERS
(FISCAL YEAR APRIL 1, 1983 TO MARCH 31, 1984)

A typical residential customer, using $3.77 \times 10^3 \text{ m}^3$ of gas annually for space and water heating, would have incurred an annualized cost of approximately \$860 based on rates in effect at the beginning of the fiscal year.

During the fiscal year no rate changes were granted:

Effective Date	Amount per 10^3 m^3	Reason	Annualized effect on typical resi- dential customer
	\$		\$ (approximately)
N/A	Nil	N/A	Nil

The annualized cost for a typical residential customer remains at approximately \$860 for fiscal year 1984.

NATURAL GAS RATE CHANGES GRANTED TO
NORTHERN AND CENTRAL GAS CORPORATION LIMITED
FOR TYPICAL RESIDENTIAL CUSTOMERS
(FISCAL YEAR APRIL 1, 1983 TO MARCH 31, 1984)

A typical residential customer, using $3.87 \times 10^3 \text{ m}^3$ of gas annually in the Western Zone, or $3.77 \times 10^3 \text{ m}^3$ in the Northern Zone, or $3.12 \times 10^3 \text{ m}^3$ in the Eastern Zone, for space and water heating, would have incurred an approximate annualized cost of \$796 or \$806 or \$691, respectively, based on rates in effect at the beginning of the fiscal year.

During the fiscal year the following rate changes were granted:

Effective Date	Amount per 10^3 m^3			Reason	Annualized effect on typical resi- dential customer		
	West Zone	North Zone	East Zone		West Zone	North Zone	East Zone
	\$	\$	\$		\$	\$	\$
					(approximately)		
Jan. 1/84	0.21	0.73	1.48	Gas Cost	1	3	5
Jan. 1/84	8.44	8.44	8.44	Revenue Requirement	33	32	26
	<u>8.65</u>	<u>9.17</u>	<u>9.92</u>		<u>34</u>	<u>35</u>	<u>31</u>
	=====	=====	=====		=====	=====	=====

Based on the above, the annualized cost for a typical residential customer at the end of the fiscal year would have been approximately 4.3 percent higher or \$830 in the Western Zone, or 4.3 percent higher or \$841 in the Northern Zone, or 4.5 percent higher or \$722 in the Eastern Zone.

NATURAL GAS RATE CHANGES GRANTED TO
UNION GAS LIMITED
FOR TYPICAL RESIDENTIAL CUSTOMERS
(FISCAL YEAR APRIL 1, 1983 TO MARCH 31, 1984)

A typical residential customer, using $3.54 \times 10^3 \text{m}^3$ of gas annually for space and water heating, would have incurred an annualized cost of approximately \$777 based on rates in effect at the beginning of the fiscal year.

During the fiscal year the following rate changes were granted:

Effective Date	Amount per 10^3m^3	Reason	Annualized effect on typical resi- dential customer
	\$		\$ (approximately)
April 29, 1983	2.31	Gas Cost	8
April 29, 1983	10.93	Revenue Requirement	39
Dec. 21, 1983	(1.67)	Gas Cost	(6)
	<hr/> 11.57 =====		<hr/> 41 =====

Based on the above, the annualized cost for a typical residential customer at the end of the fiscal year would have been approximately 5 percent higher or approximately \$818.

Appendix B

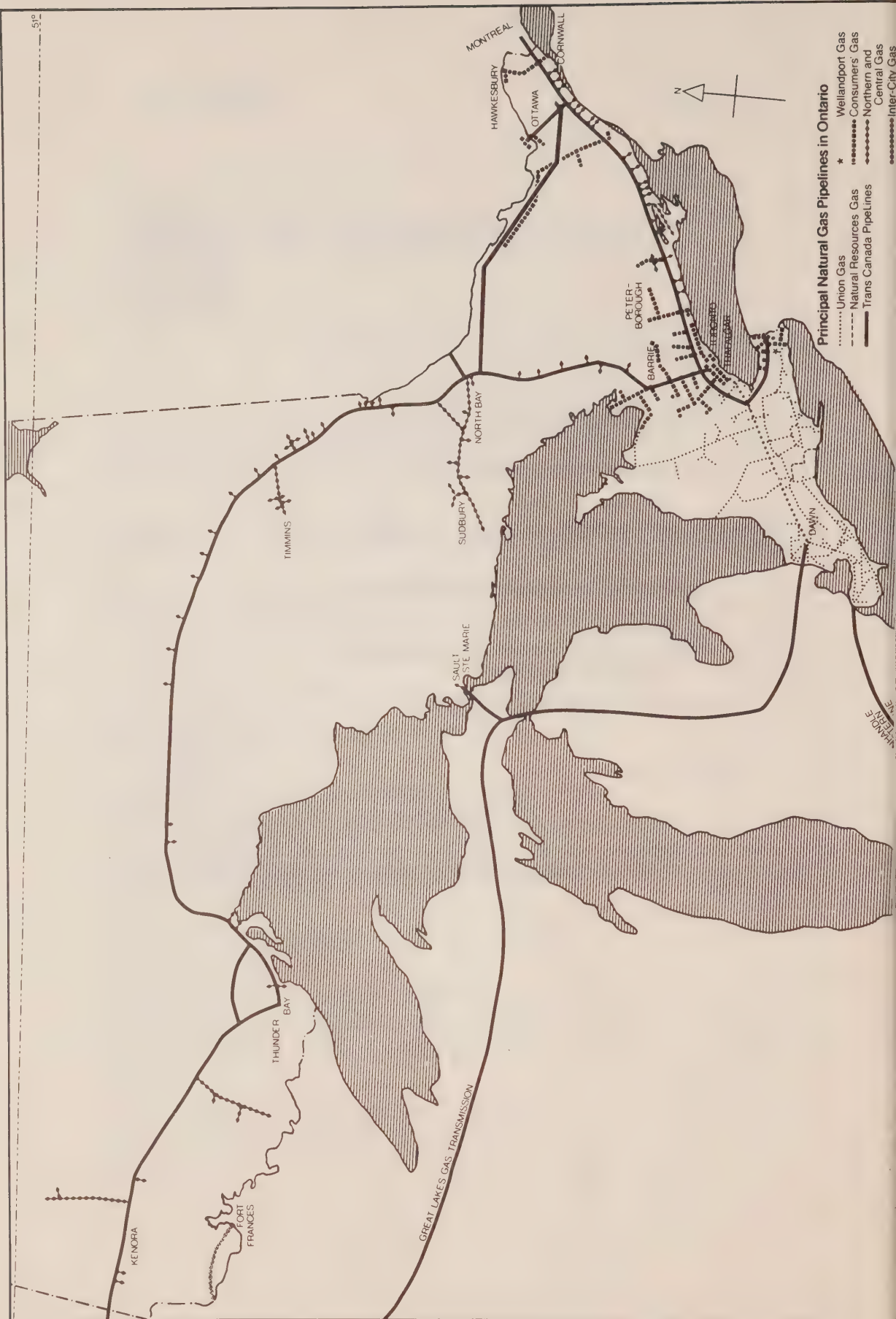
BOARD RECOMMENDATIONS RELATING TO THE
ONTARIO HYDRO 1984 RATE PROPOSAL

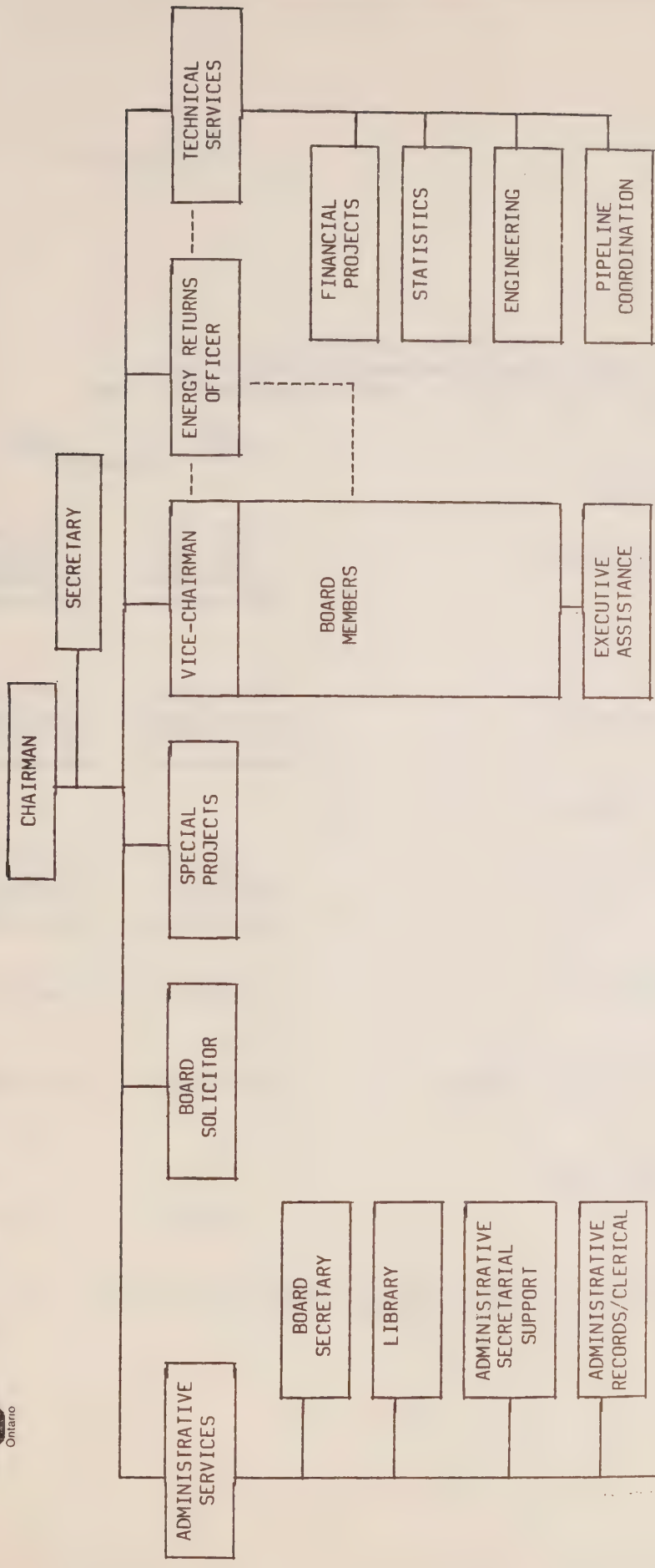
	Increase (Decrease) in Revenue Requirement
	<hr/> \$millions
Hydro's forecast of the Canadian inflation rate be adjusted and its revised forecast of U.S. inflation rate be accepted	(24)
Hydro's forecast of interest rates be adjusted	(11)
Hydro's forecast of the Canadian dollar be adjusted	21
Hydro's load forecast be adjusted	(15)
Hydro's revised coal costs be accepted	38
Hydro's revised power purchase costs be accepted	(28)
Hydro's forecast of secondary sales be adjusted and the average price be adjusted	nil
Hydro's electrical capacity factor for Bruce A be adjusted	(5)
Hydro's revised charges for the nuclear payback be accepted	4
Hydro's forecast nuclear in-service dates be delayed	(11)
Hydro's revised productivity cuts be accepted	(5)
Hydro's forecast OM&A costs be adjusted	(17)
Hydro's revised pension fund liability be accepted	3

Appendix B

	Increase (Decrease) in Revenue Requirement
	<u>Millions</u>
Hydro's forecast of revised training costs be adjusted	8
Hydro's accounting policy for the capitalization of training costs be altered	1
Hydro's revised interest expense be accepted	(35)
Hydro's revised decommissioning charges be accepted	2
Hydro's accounting treatment for BHWP A be altered	7
Hydro's requested net income be adjusted to no more than \$350 million	(54)
Hydro's interest costs be adjusted	5
	<hr/>
TOTAL	(116)
	<hr/> <hr/>

The effect of this total downward adjustment in revenue requirement of \$116 million would be to lower Hydro's proposed average rate increase from 9.7 percent to 6.3 percent.





SELECTED STATISTICS
MAJOR ONTARIO NATURAL GAS UTILITIES*
(Fiscal Year April 1, 1983 to March 31, 1984)

	<u>1984</u>	<u>1983</u>
	(rounded)	
<u>Number of Customers:</u>		
Residential	1,247,700	1,199,400
Commercial & Industrial	144,100	138,600
Total	<u>1,391,800</u>	<u>1,338,000</u>
<u>Sales Volume: (10³m³)</u>		
Residential	4,100,700	4,299,600
Commercial & Industrial	14,032,100	14,462,400
Total	<u>18,132,800</u>	<u>18,762,000</u>
<u>Sales Revenue: (\$000)</u>		
Residential	932,100	796,800
Commercial & Industrial	2,330,600	1,960,800
Total	<u>3,262,700</u>	<u>2,757,600</u>
<u>Distributors' Cost of Natural Gas: (\$000)</u>	2,652,300	2,423,500
<u>Capital Invested in Utility Operations (Rate Base) (\$000)</u>	2,202,900	2,035,200
<u>Transmission and Distribution Pipelines:</u>		
Kilometres	40,200	39,200

* The Consumers' Gas Company Ltd., Northern and Central Gas Corporation Limited and Union Gas Limited.

CA 24N
EB
-A56



Ontario

Ontario
Energy
Board

Twenty-fifth Anniversary ANNUAL REPORT

Fiscal Year Ended — March 31, 1985

Copies available for \$8.00 prepaid from the Ontario
Government Bookstore, 880 Bay Street, Toronto.

Out-of-town customers please write (enclosing cheque
or money order payable to the 'Treasurer of Ontario') to
The Ministry of Government Services, Publications
Services Section, 5th Floor, Toronto, Ontario M7A 1N8.

Telephone: Toronto: (416) 965-6015
Toll free: 1-800-268-7540
Northwestern Ontario: 0-Zenith 67200

TABLE OF CONTENTS

Letter from the Minister of Energy The Honourable Vincent G. Kerrio	3
Message from the Chairman Robert W. Macaulay, Q.C.	5
Managing Energy in Ontario	6
Role of The Ontario Energy Board	7
Jurisdiction of The Ontario Energy Board	8
Organization of The Ontario Energy Board	9
Public Hearings at The Ontario Energy Board	11
Activities of The Ontario Energy Board:	
April 1, 1984 - March 31, 1985	15
Natural Gas Rate Reviews	16
Natural Gas Pipeline Construction	20
Pipeline Exemptions	21
Accounting Orders	21
Certificates and Franchises	21
Permits to Drill	21
Other Orders	21
Cost Awards to Hearing Participants	22
Application to Acquire Shares:	22
Inter-City Gas Corporation, ICG Resources Ltd., Vigas Propane Ltd. and Norcen Energy Resources Limited	
Reference to Review Take-over:	23
Union Enterprises Ltd. by Unicorp Canada Corporation	
Reference to Review Ontario Hydro Rate	23
Proposal - Effective January 1, 1985.	





Energy
Ontario

Minister

Ministry
of
Energy

56 Wellesley St. West
12th Floor
Toronto, Ontario
M7A 2B7
416/965-4286
Telex 06217880

September 30, 1985

To The Honourable Lincoln M. Alexander

Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Annual Report of the Ontario Energy Board for the fiscal year ended March 31, 1985.

This year marks the twenty-fifth anniversary of the Board since its creation in 1960 under the Ontario Energy Board Act. This special edition of the Annual Report commemorates these twenty-five years of service in the Province of Ontario.

Respectfully submitted,

Vincent G. Kerrio
Minister of Energy

MEMBERS OF THE ONTARIO ENERGY BOARD



From left to right: Harvey R. Chatterson, John C. Butler, Patrice E. Boisseau, Richard R. Perdue, Orville J. Cook, Bunli Yang, Donald H. Thornton, Robert W. Macaulay, Marie C. Rounding, Denis A. Dean.

Absent: Robert H. Clendining, immediate past Chairman, Ian C. MacNabb, immediate past Vice-Chairman, John D. McFadyen, Member.

MESSAGE FROM THE CHAIRMAN

Twenty-five years ago, the Ontario Energy Board Act was enacted by the Ontario legislature.

It is a time to look back, just as it is a year to take stock of where we are heading in the future.

In 1960 natural gas deliveries to Ontario from western Canada were beginning to escalate. Ontario Hydro was working very hard to keep up with demand while developing the last of its major hydraulic sites.

When the Ontario Energy Board Act was introduced, the natural gas utilities had misapprehensions about the widespread regulatory powers of the Board and the creation of the new Ministry of Energy Resources. Through patience and understanding, the regulated industry and the Board have developed an excellent working arrangement based upon mutual respect for the task of the other.

During the early and even middle years of its life this Board struggled with a number of problems ranging from inflation to regulatory lag. These problems were compounded by the major changes that were occurring in the energy and economic environment. Nothing seemed to stay put for more than a moment.

During the late 1960's and early 1970's as the oil crisis developed in the Middle East, as natural gas prices and inflation soared, as Ontario Hydro turned to nuclear generation and as the public became conservation conscious, the challenges for distributors and regulators multiplied and diversified. Legislative changes were made to adapt to the new economic environment.

During these years, this Board decided on hundreds of natural gas applications and conducted over a dozen major reviews of Ontario Hydro rates. The Board has reported to the Lieutenant Governor, the Minister of Energy and the Minister of Natural Resources upon a substantial array of energy related matters. These years have provided the Board with a wealth of experience upon which the future can be built.

We believe that the Government, the industry and the public will be able to rely on this Board to carry out the public duties entrusted to it. A strong nucleus of resources and expertise is in place to handle whatever duties are given to us by the Legislature.

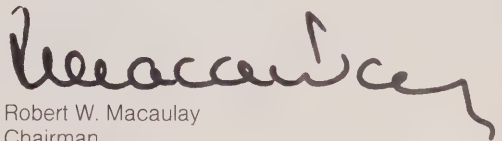
Our facilities have been greatly improved. A working public library and reference section has been added and the expertise of the staff strengthened. The Board's organization has been restructured with the addition of a new computer and data bank so that we can perform more efficiently internally and better monitor the performance of natural gas utilities. The Board co-sponsored the creation of the Canadian Conference of Administrative Tribunals because we believe that administrative boards have a key role to play in the future and can learn from each other.

In the next decade, we expect many changes in our regulatory environment that could well make this period different from any period faced by this Board or any other Board in North America before.

Energy shortages have turned to excess supply and capacity. There is a move away from a tight regulation of rates and conditions of service of all consumers to deregulation in some industrial consumer sectors. This may lead to producer-distributor and producer-consumer alliances. The Board's role may well change from a "hearing forum" to one of administering certain aspects of the industry. Whatever road this Board does or does not take, it is clearly no longer adequate for this Board merely to respond to what is presented in evidence in the hearing room.

Whether this Board will be asked to assume greater or less responsibility is a matter that the Government will decide. But as this Report indicates, the Board is positioning itself to fulfil whatever role the Government assigns to it and looks forward to the next twenty-five years with confidence.

Yours truly,



Robert W. Macaulay
Chairman

MANAGING ENERGY IN ONTARIO

The foundation of the economy and the comfort and well being of the Province of Ontario rests fundamentally on the supply of energy at reasonable prices.

It is impossible to conceive of a province like Ontario, with a high standard of living and reasonable levels of production and employment, without an abundant and reliable supply of low cost energy.

A slight change in energy prices can turn black ink to red for industry and alter the economic prospects of the regions in which it is located.

Energy distribution and pricing has to be properly managed. Regulators and administrators like this Board face a number of challenges in the next decade.

One challenge regulators and utilities already face is the question of market share. Natural gas utilities have never competed directly in Ontario. Regulation prevented free competition that would have resulted in redundant construction and higher costs for the natural gas consumer. But there are other forms of energy competing against each other for new customers in a relatively mature and static market. Close to 40 percent of the energy consumed in Ontario comes from oil, 31 percent from natural gas, 16 percent from electricity, nine percent from coal and four percent from other sources. At some time or another, depending on the circumstances in the market, these forms are all natural competitors.

This Board is constantly faced with the larger question of the roles of these forms of energy in Ontario and how the needs of Ontario's economy can best be served by them. Wasteful and expensive competition can be avoided if some attempt is made to 'rationalize' the supply and distribution of energy in this province.

The utilities are in a quandary about what to do with excess capacity, particularly during off peak periods. Utilities face another challenge and that is to shape consumer demand, shifting it away from peak to off peak periods. An optimum match of the customers' needs with the utilities' needs should ultimately mean lower costs for the customer. Regulators have a responsibility to ensure stability in prices and reliability of service but must also acknowledge the importance of flexible rate design and incentive programs to allow a utility the opportunity to meet its revenue requirement while meeting customers' needs.

Deregulation in the energy sector is another challenge facing regulators and utilities in the coming decade. The advent of deregulation will not necessarily mean less regulation but rather different ways to ensure that affordable prices are available to users. Regulators may allow utilities greater freedom in determining rates for industrial and commercial customer sectors.



ROLE OF THE ONTARIO ENERGY BOARD

The Board essentially has four major duties:

1. To fix the rates of natural gas utilities.
2. To review rate proposals of Ontario Hydro.
3. To report on references.
4. To administer certain Legislative Acts.

1. FIX RATES OF GAS UTILITIES

The rates which the gas utilities charge to their customers must be approved by this Board before they go into effect. The Board has the authority to require each utility to come before it from time to time to justify a change in rates or the continuation of a rate which may then be in effect. Rates are to be "just and reasonable" for both the customers of a utility and its shareholders who must have the opportunity to earn a fair return on their investment. The Board also considers the quality of the service which gas companies provide to their customers.

This type of regulation is common in North America where a gas utility is given a designated service territory within which it has no competition from another gas distributor. Regulation is thus created to be sure that the utilities charge reasonable rates and provide safe and reliable service.

A major gas rate hearing takes the staff, and a panel usually of three members hearing the case, approximately two or two and a half months in preparation, approximately three weeks in the hearing and an additional two months to write the decision.

2. REVIEW RATE PROPOSALS OF ONTARIO HYDRO

Whenever Ontario Hydro proposes to change its rates it must submit such a proposal to the Minister of Energy who then refers it to this Board. The Board reviews Ontario Hydro's bulk power rate proposals (wholesale rates to municipalities and certain industrial customers having an average power demand of 5,000 kilowatts or more). The reference from the Minister does not usually lead to as broad a consideration as that for a gas utility application because certain elements are excluded such as Ontario Hydro's system expansion program. The Board's recommendations are not binding on Ontario Hydro. Ontario Hydro may or may not choose to implement the Board's recommendations.

Preparations for a Hydro rate hearing continue throughout the year and intensive staff work begins in February. The hearing commences in June and runs about four weeks. Panel members and staff take another two months to prepare the Board's report.

3. REPORT ON REFERENCES

From time to time, the Lieutenant Governor in Council, the Minister of Energy or the Minister of Natural Resources may refer a matter to the Board that requires a public hearing and a Board report. These references normally concern matters of energy and generally attract widespread public interest. Public hearings permit the presentation of evidence and argument by individuals, public interest groups and the industry under an informal but controlled environment. The Board report is only advisory in nature.

References as a rule take some two months of intensive preparation and may take up to eight weeks in hearings, and two months to prepare the report. Normally three members of the Board sit on these references.

The Board may also conduct generic hearings on matters under its own jurisdiction. In 1984, a hearing dealt with the public participation in our hearing process and the awarding of costs either prior to the hearing, during the hearing or subsequent to the hearing. Decisions on generic hearings take the form of a report.

4. FUNCTIONS UNDER CERTAIN LEGISLATIVE ACTS

In addition to the Ontario Energy Board Act, the Board has jurisdiction arising from provisions in several other statutes (see "Jurisdiction of the Board"). All of them address the regulation of energy-related matters. Most of them are related to the activities of natural gas utilities. The Board deals with a number of matters arising from these statutes in particular The Petroleum Resources Act and The Municipal Franchises Act. Public hearings are scheduled where there is a statutory requirement. The time involved in these matters varies with each case.

JURISDICTION OF THE ONTARIO ENERGY BOARD

The Board's jurisdiction is both regulatory and advisory and arises from the Ontario Energy Board Act and the provisions of several statutes enumerated below.

UNDER THE ONTARIO ENERGY BOARD ACT

Approves rates and charges for the sale, distribution, transmission and storage of gas.

Ensures compliance by gas utilities with the Uniform System of Accounts.

Grants leave to construct pipelines and related facilities.

Grants authority to expropriate land for pipelines and related facilities and authorizes pipelines to cross highways, utility lines and ditches.

Recommends to the Lieutenant Governor in Council designated gas storage areas, authorizes their use and determines compensation payable to landowners.

Approves gas storage agreements and permits a transmitter or distributor to use the empty space of a storage company.

Unitizes the interests in gas and oil spacing units and pools.

Reports to the Lieutenant Governor in Council on applications by a utility to sell its assets or amalgamate with another utility and on applications by persons to acquire shares of a gas utility which would result in a holding of more than 20 percent of such shares.

Reports to the Lieutenant Governor in Council on energy matters referred to the Board.

Examines and reports to the Minister of Energy on Hydro rates and rate-related matters, pursuant to references from the Minister.

UNDER THE MUNICIPAL FRANCHISES ACT

Approves the terms of by-laws granting a utility a franchise to supply and distribute gas to a municipal corporation and renews the terms of such franchises.

Grants certificates of public convenience and necessity to construct works and to supply gas in municipalities.

UNDER THE PETROLEUM RESOURCES ACT

Advises the Minister of Natural Resources on applications for a licence to inject, store or remove gas and other related permits and licences.

UNDER THE PUBLIC UTILITIES ACT

Rules on municipal claims that a utility has contravened municipal by-laws prohibiting the distribution and sale of gas containing sulphuretted hydrogen.

UNDER THE ASSESSMENT ACT

Decides whether certain gas pipelines are transmission lines for assessment purposes.

UNDER THE TORONTO DISTRICT HEATING CORPORATION ACT, 1980

Fixes steam rates for certain customers of the Toronto District Heating Corporation, formerly the Toronto Hospitals Steam Corporation, upon appeal by the customer.

ORGANIZATION OF THE ONTARIO ENERGY BOARD

LOCATION

The Ontario Energy Board occupies two floors in a downtown Toronto office on Carlton Street. The office has two large public hearing rooms, a reference library, meeting rooms, computer facilities and staff offices. Public hearings are sometimes held outside Toronto at locations convenient to the public.

BOARD MEMBERS AND STAFF

The Chairman and Board members are appointed by the Lieutenant Governor in Council. The Chairman was appointed for a five year term and members are usually appointed for three years. The Board, currently consists of nine members, including lawyers, engineers, economists and accountants.

The Board employs close to 30 full-time staff, including support staff that have special or technical knowledge in matters relating to Board hearings. Legal counsel are engaged to conduct major hearings and the Board frequently retains outside consultants to advise and testify during the proceeding.

WORKLOAD

The Board dealt with over 100 applications or references in the year. Each application was different and put varying demands on the time and resources of Board staff. Applications from utilities ranged from a simple request to adjust an internal accounting procedure to a major construction project which affected natural gas rates for all its customers, or a major application to adjust rate levels and rate structures. Each matter was handled individually, and the coordination and scheduling of these various applications was carefully planned.

Work on a major application usually starts two or three months before a hearing. For rate applications, a utility submits detailed financial data supporting its request for a rate increase. Ontario Hydro alone submits about 5,000 pages of evidence that includes highly technical and statistical data. This material is reviewed by Technical Services staff to ensure it is accurate and up-to-date. Interrogatories are prepared by staff if more information is required or the data already submitted is incomplete. During a rate hearing, a utility may receive in excess of one hundred interrogatories from Board staff and intervenors.

COMPUTER SERVICES

The Board acquired a computer data processing system to help it with the tremendous volume of material. The computer enables staff to do in-depth analysis of the material and eases the administration of moving information to and from the utility. The staff now have the capacity to perform modelling exercises to assist in the review of the application.

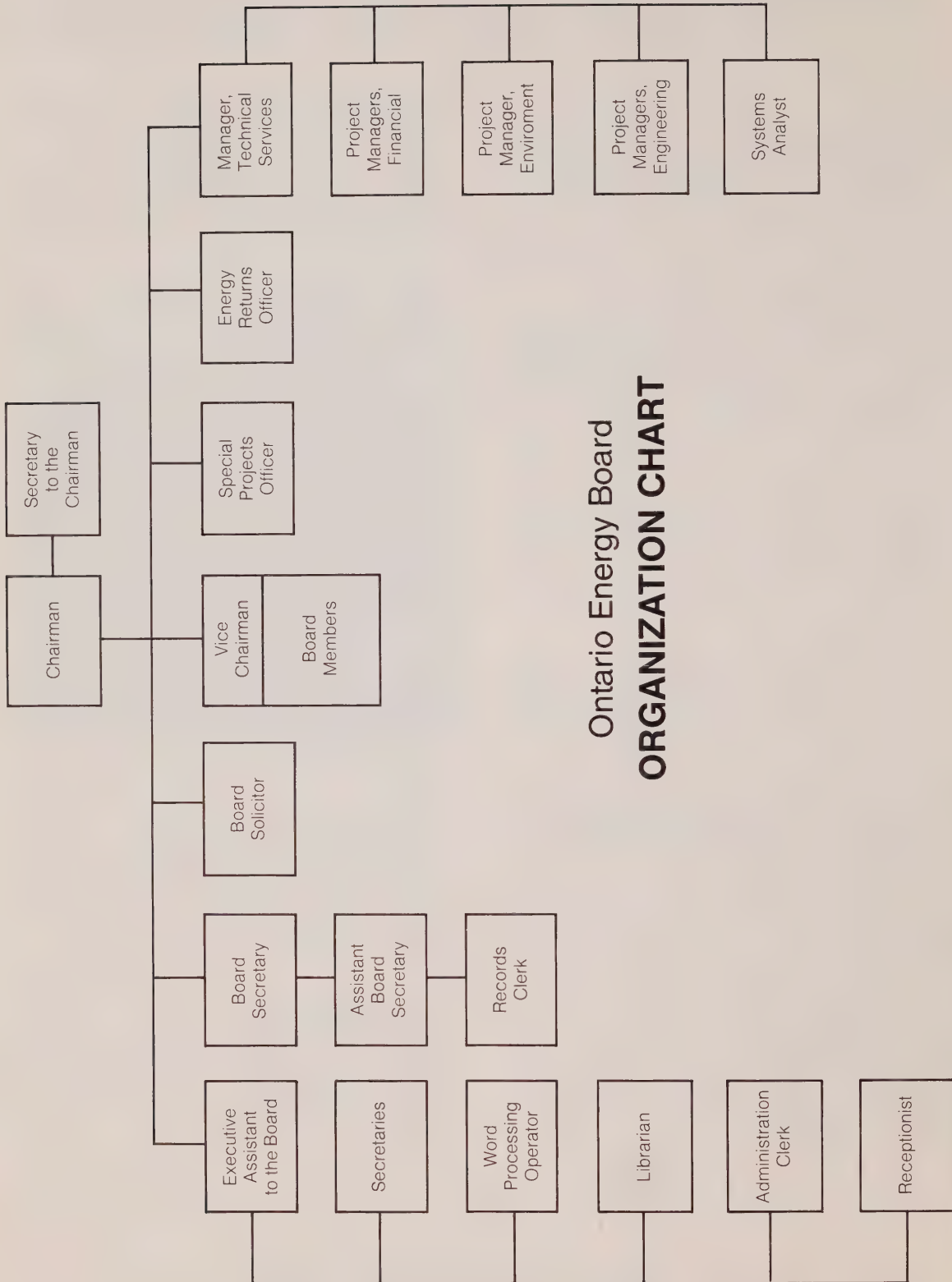


LIBRARY AND MICROFILM SERVICES

Other services at the Board are making information more readily available to staff and to public groups participating in hearings. A new reference library includes periodicals and other current information on regulation and the natural gas industry. Previous Board cases are now in a convenient microfilm library and available to anyone wishing to research previous decisions.

PUBLIC INQUIRIES

The Board Secretary handles general inquiries on applications before the Board regarding procedural matters. Intervenors may also seek advice from the Technical Staff so that they can participate in the hearing process.



Ontario Energy Board **ORGANIZATION CHART**

PUBLIC HEARINGS AT THE ONTARIO ENERGY BOARD

Public input is fundamental to every Board inquiry. Applications or references are dealt with in public hearings held at the Board offices in Toronto or at locations convenient to interested and affected parties.

Interested parties may participate in a hearing once they have filed an intervention with a brief explanation of the reasons for intervening.

APPLICATIONS, REFERENCES AND BOARD MOTIONS

The Board Secretary will schedule a hearing upon receipt of an application from a natural gas utility, a reference from the Lieutenant Governor in Council or a reference from the Ministers of Energy or Natural Resources to consider an energy-related matter. Sometimes the Board will initiate a proceeding to consider a matter under its jurisdiction.

NOTICE OF HEARING

Once the application is filed and the Board has determined the scope and probable length of the hearing, all parties are notified. The Board Secretary directs the Applicant to publish and serve notice on all affected parties and interested public groups.

For major rate cases, a utility will publish announcements of its application in regional daily newspapers and personally serve notice on municipal clerks in the utility's service area. The Board Secretary will also direct the utility to notify parties of the time and place of the hearing.



ONTARIO PIPELINE COORDINATION COMMITTEE

Applications to construct a pipeline are referred immediately to the Ontario Pipeline Coordination Committee. The Committee represents a number of government ministries concerned with the impact of a construction proposal on the environment. It is chaired by a Board staff member and includes representatives from the following Ministries:

Agriculture and Food
Citizenship and Culture
Consumer and Commercial Relations
Energy
The Environment
Municipal Affairs and Housing
Natural Resources
Transportation and Communications.

The Committee sets out steps a utility must take before the application is set down for hearing. Route selection and environmental impact studies are a necessary part of pre-filed evidence and are usually reviewed by Committee members and outside consultants before being tabled as evidence in the hearing. The Committee handles inquiries from affected groups who have particular concerns about a construction project.

PRE-FILED EVIDENCE & INTERROGATORIES

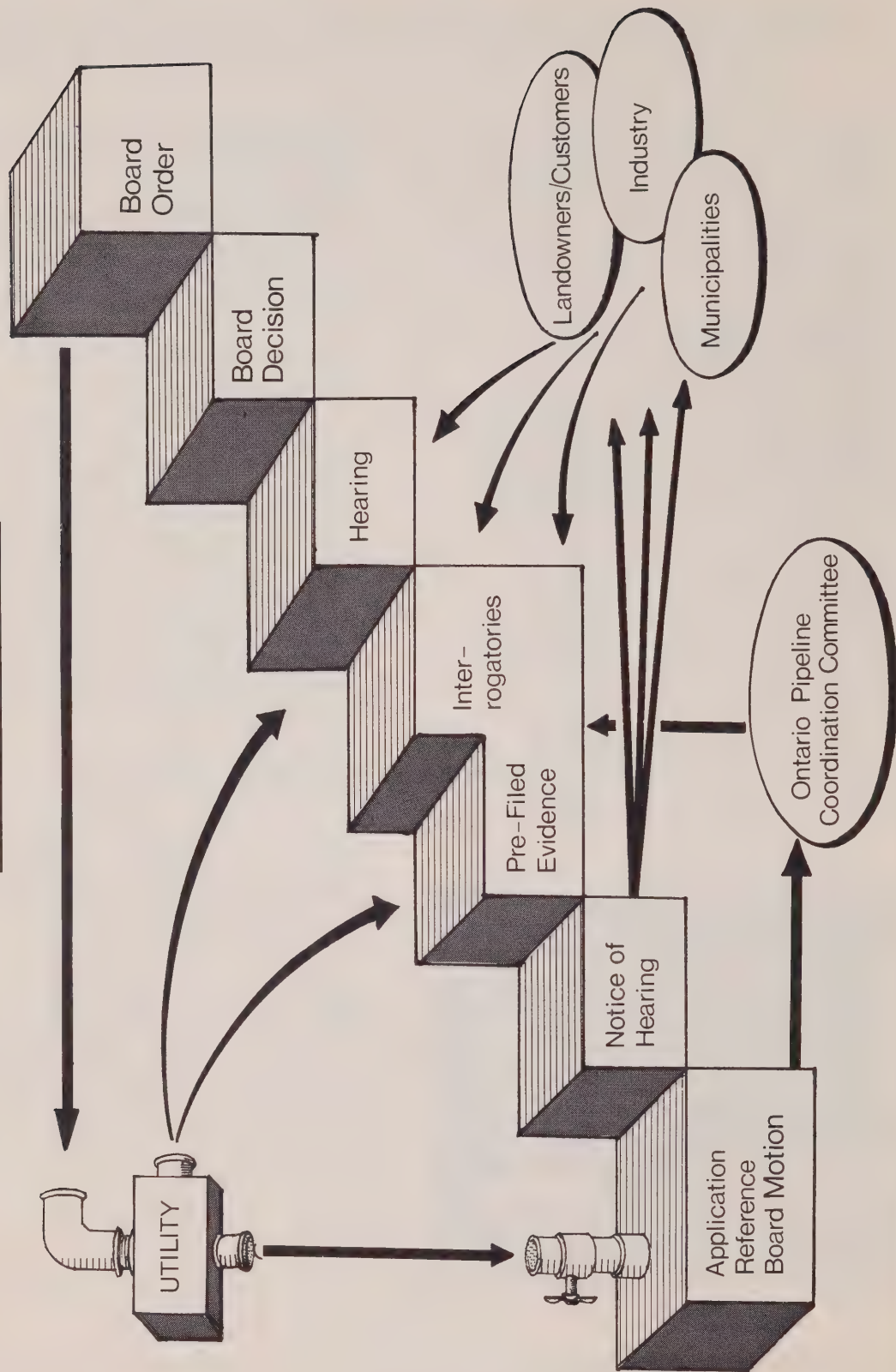
Evidence in support of an application is filed with the Board two or three months before the hearing. The Board staff or intervening parties normally seek additional information by way of interrogatories. Utilities answer interrogatories concerning the pre-filed evidence before the hearing commences.

'FIRST DAY' PROCEEDINGS

Before the main hearing commences, the Board panel reviews procedural matters, technical issues and the general approach to the hearing with interested parties. This gives everyone the opportunity to become familiar with the application and to identify all the issues they wish to address in the hearing.

THE ONTARIO ENERGY BOARD

Public Hearing Process





THE HEARING

At a hearing, the Board ensures that sufficient evidence is presented, tested and put on the record. The utility bears the onus of proving its need for the rate increase it has applied for. The Board usually hears the utility first through written evidence and witnesses who testify on its behalf. Intervenor and Board staff then question these witnesses and, to strengthen their position, may offer their own witnesses. These witnesses, in turn, may be cross-examined by the utility. The proceedings are a matter of public record and transcripts are available at the Board's office.

When all the evidence has been given, each party has an opportunity to interpret what has been presented in the form of argument which may be either written or oral. A Board decision follows and, depending on the complexity of the case, will be published a few weeks or a few months later.

BOARD DECISION

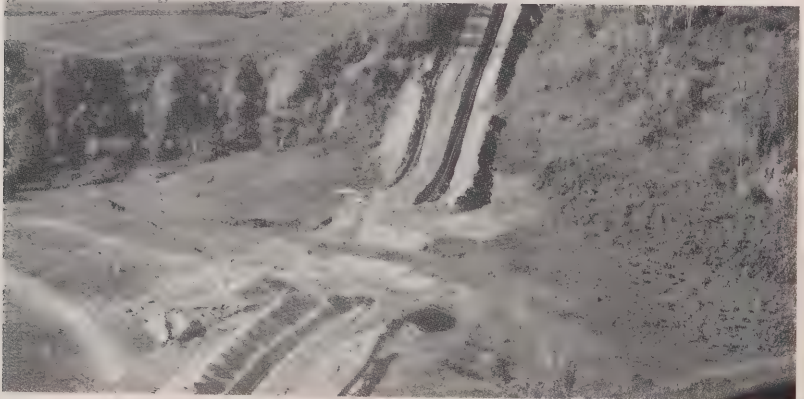
The Board summarizes its findings in either a document called "Reasons for Decision" or a "Report." All the issues and arguments raised in the hearing are discussed and dealt with in this report.

BOARD ORDER OR RECOMMENDATION

The Board Order is a legal document directing the implementation of a Board decision. The order is binding on a natural gas utility and may, in some cases, involve other parties like a municipality or an industrial customer. When the Board reaches a decision on Ontario Hydro or another energy-related matter, a Report is made to the appropriate Minister who may or may not implement the Board's recommendations.

REVIEW AND APPEALS OF BOARD ORDERS

A decision of the Board may be challenged in a number of ways. Parties may apply to the Board requesting that it review or amend the order it has issued. Parties may also petition the Lieutenant Governor in Council requesting that the Board's decision be altered or reheard. A decision of the Board can also be appealed to the Divisional Court providing that it is based upon a question of law or jurisdiction.



ACTIVITIES OF THE ONTARIO ENERGY BOARD

APRIL 1, 1984 TO MARCH 31, 1985

The Board dealt with 107 applications from natural gas utilities, five references from the Ministers of Energy and Natural Resources which included a review of Ontario Hydro, and a reference from the Lieutenant Governor in Council to consider the Unicorp/Union takeover.

The following table lists all the applications and references heard. Summaries of the major cases follow.

TYPE OF APPLICATION	NO. OF APPLICATIONS
Natural Gas Rate Reviews (EBRO)	3
Interim Rate Reviews (EBRO)	8
Pipeline Construction & Expropriations (EBLO)	8
Pipeline Exemptions (PL)	2
Accounting Orders (UA)	5
Franchise Approvals (EBA)	35
Certificate Approvals (EBC)	37
Permits to Drill (EBRM)	4
Other Orders (EBO)	9
Reference from the Lieutenant Governor in Council (EBRLG)	1
Reference from Minister of Energy for Ontario Hydro (HR)	1
TOTAL	113



NATURAL GAS RATE REVIEWS

Three natural gas distributors applied to the Board for annual rate increases: Northern and Central Gas Corporation Limited, Natural Resource Gas Limited and Inter-City Gas Corporation. Although the main rate application from Union Gas Limited was heard in the previous fiscal year, the case was re-opened in August 1984 to settle a security deposit matter. The

Consumers' Gas Company Ltd. did not apply for an increase in rates in 1985.

Listed in the table but not described in this report are eight interim rate applications from utilities seeking minor rate increases to recover higher costs attributed in the main to higher wholesale natural gas prices.

NORTHERN AND CENTRAL GAS CORPORATION LIMITED (NORTHERN)

Northern serves approximately 140,000 customers in northwestern, northern and eastern Ontario. It distributes gas to more than 100 communities in an area extending from Kenora to points 200 miles along the shores of Lake Ontario and the St. Lawrence River.

The application was filed June 6, 1984, and after three months of preparation, was heard in September. The Board's decision was issued on December 28, 1984.

Northern projected a revenue deficiency of \$7,186,600 for its 1985 test year and proposed to recover it from its fixed rate customers.

The following table shows the key financial elements of Northern's final submission and the Board's decision. The previous Board decision for the 1984 test year is shown for comparison purposes.

	EBRO 396 Previous Board Decision Dec. 28/83	EBRO 399 Final Northern Submission	EBRO 399 New Board Decision Dec. 28/84
TEST YEAR ENDING DECEMBER 31			
	1984	1985	1985
Rate Base (\$000's)	273,715.0	308,137.3	308,137.3
Utility Income (\$000's)	31,683.9	37,953.9	37,953.9
Indicated Rate of Return on Rate Base	11.58%	12.32%	12.32%
Cost of Capital			
Long-term Debt	12.55%	12.86%	12.86%
Preference Shares	6.16%	6.28%	6.28%
Accumulated Tax Deferrals	3.00%	3.00%	3.00%
Common Equity	15.75%	16.50%	15.75%
Allowed Rate of Return on Rate Base	12.98%	13.46%	13.23%
Revenue Deficiency (\$000's)	7,820.4	7,186.6	5,722.5

Northern has recently attempted to diversify its customer base through the introduction of aggressive sales programs aimed at residential and commercial customers. Northern proposed several changes to its rate structure, two of which were accepted by the Board.

- (1) An adjustment to the residential and general service rate so that customers having similar load characteristics were treated in the same manner.

- (2) An extension of the winter period rate for the interruptible industrial customers.

The Board accepted the utility's interim deficiency of \$1,652,000 during the period August 1 to December 31, 1984. The resulting rate increase reflected the gas cost changes which had become effective on February 1 and August 1, 1984. These increases were collected from all firm customers in the western and northern rate zones.

NATURAL RESOURCE GAS LIMITED (NRG)

NRG is a relatively small utility serving approximately 1,750 customers in Aylmer and surrounding communities. NRG purchases its natural gas from Union, Consumers' and a number of local producers.

NRG filed its application on February 21, 1983. The question of whether NRG should pay a security deposit to Union caused a delay in a decision for its test year ending September 30, 1984. The Board approved an

interim \$40,000 increase in revenues to the company and the final Board's decision was issued on October 19, 1984.

The following table shows the key financial elements of NRG's final submission as well as the Board's decision. Data from the previous Board decision is shown for comparison purposes.

	EBRO 373 Previous Board Decision Aug. 31/82	EBRO 393 Final NRG Submission	EBRO 393 New Board Decision Oct. 19/84
TEST YEAR ENDING SEPTEMBER 30			
	1982	1984	1984
Rate Base	\$1,141,347	\$1,623,000	\$1,620,000
Utility Income	\$ 78,763	\$ 187,955	\$ 187,634
Indicated Rate of Return on Rate Base	6.90%	11.58%	11.58%
Cost of Capital			
Debt	18.25%	13.77%	13.77%
Preference Shares	9.00%	9.00%	9.00%
Common Equity	16.50%	16.50%	16.25%
Allowed Rate of Return on Rate Base	15.92%	14.03%	13.93%
Revenue Deficiency	\$ 205,879	\$ 77,840	\$ 77,700



INTER-CITY GAS CORPORATION (INTER-CITY)

At the time of the application, Inter-City was distributing gas to the communities of Fort Frances and Rainy River. Its largest customer in the area is Boise Cascade Canada Limited.

Rate increases since 1982 have been dealt with through a series of interim hearings. A main hearing, in which the Board undertook a complete review of the utility's financial status, was held on May 23, 1984.

Inter-City proposed a rate of return of 13.23% and a 2.4666 cents/mcf increase to its existing rates.

The Board decided that it would be in the customers' and shareholders' best interests to grant the 13.23% rate of return, resulting in an increase of 2.3054 cents/mcf to its rates. The Board issued its decision on June 22, 1984.

The following table summarizes the key financial elements of the rate proposal and the Board's decision. Data from the previous Board decision is shown for comparison purposes.

	EBRO 374 Previous Board Decision Apr. 29/82	EBRO 389 Final Inter-City Submission	EBRO 389 New Board Decision June 22/84
TEST YEAR ENDING DECEMBER 31			
	1980	1984	1984
Rate Base	\$1,068,116	\$1,378,800	\$1,357,600
Utility Income	\$ 32,617	\$ 139,500	\$ 139,500
Indicated Rate of Return on Rate Base	3.05%	10.12%	10.28%
Cost of Capital			
Long-term Debt	9.15%	11.38%	11.38%
Common Equity	15.50%	16.00%	16.00%
Allowed Rate of Return on Rate Base	11.69%	13.23%	13.23%
Revenue Deficiency	\$ 104,330	\$ 85,830	\$ 80,220



UNION GAS LIMITED (UNION)

Union is the second largest gas distributor in Ontario, serving approximately 490,000 customers in southwestern Ontario. Union also operates a network of pipeline, storage and compression facilities to provide service to its customers and other utilities in eastern Ontario and Quebec.

Union filed an application in September 1983 to increase rates for its 1985 test year. The Board heard the application in December 1983, January and March 1984 and re-opened the case in August to consider

Union's requirement for a security deposit from Natural Resource Gas Limited, one of its wholesale customers. The utility rate increase proposal was based on a projected revenue deficiency of \$25.3 million. The Board found Union's revenue deficiency to be \$731,000 and no rate increase was granted.

The following table shows the key financial figures in Union's final submission and the Board's subsequent decision. The Board decision for the 1984 test year is shown for comparison.

	EBRO 388 Previous Board Decision Apr. 22/83	EBRO 397 Final Union Submission	EBRO 397 New Board Decision Apr. 24/84
TEST YEAR ENDING MARCH 31			
	1984	1985	1985
Rate Base (\$000's)	809,150	832,781	830,281
Utility Income (\$000's)	85,364	95,870	105,503
Indicated Rate of Return on Rate Base	10.55%	11.51%	12.71%
Cost of Capital			
Long-term Debt	11.96%	12.01%	12.01%
Short-term Debt	10.75%	11.10%	10.50%
Preference Shares	9.90%	10.05%	10.05%
Common Equity	15.60%	16.25%	15.60%
Allowed Rate of Return on Rate Base	12.65%	13.00%	12.75%
Revenue Deficiency (\$000's)	39,355	25,315	731

Certain elements of the Board's decision are listed below.

The capital budget forecast for the test year was reduced by \$5 million.

Union's request to adopt incremental accounting procedures in the capitalization of overheads was denied.

Union's forecast of the cost of long-term debt was accepted and the cost rate for short-term debt was reduced to 10.5 percent.

Union proposed an increase in its deemed common equity component from 29 percent to 30 percent and an increase in the return on common equity from 15.6 percent to 16.25 percent for the test year. Both these proposals were denied.

The Board concluded that Union had not undertaken sufficient mitigation efforts to reduce or eliminate the premium costs of purchasing Synthetic Natural Gas (SNG) under its agreement with Petrosar. Continuation of the amortization of Accounts 1 and 2 was approved, but without any costs relating to Account number 3 in Union's cost of service for 1985. A refund of \$14.7 million arising out of an overpayment of the Canadian Ownership Special Service Charge and the Natural Gas and Gas Liquids Tax for volumes exported to Transco since 1980 was re-allocated between Accounts 1, 2 and 3.

The Board concluded that Union should continue collecting taxes in rates on the normalized tax basis.

Rate schedules, customer classification and rate classes remained unchanged.

NATURAL GAS PIPELINE CONSTRUCTION

THE NORTH SHORE PROJECT

Northern applied to the Board on October 30, 1984, for leave to construct a 170 kilometer pipeline from Sault Ste. Marie to the communities of Blind River and Elliot Lake.

The pipeline is designed to serve Rio Algom Limited & Denison Mines in Elliot Lake and Eldorado Resources Ltd. in Blind River and the commercial and residential markets in these communities. Northern wished to commence work on rocky and swampy sections in January 1985 and to continue with major construction during the summer and fall of 1985. The Board convened a hearing in Sault Ste. Marie on December 18, 1984 and continued with hearings in January 1985.

Northern projected that the pipeline would cost \$51,664,100, of which \$30 million could be recovered under the Federal Department of Energy, Mines & Resources' Distribution System Expansion Program (DSEP).

There was an unusually high level of public interest in the project, particularly from landowners affected by the

construction. The hearing dealt with landowner concerns about route selection, construction standards and safety, and easement agreements. The Board heard detailed evidence on procedures to clear and slash woodlands, methods to strip, trench and restore agricultural soils and to conduct wet and dry river crossings.

The Board issued its decision on January 22, 1985 with written reasons to follow. The Board concluded that the proposed pipeline was in the public interest and, subject to certain conditions, the Board granted the company leave to construct, certificates of public convenience and necessity, and franchise approvals relating to the project.

OTHER PIPELINE CONSTRUCTION

The Board received two other applications for leave to construct during the fiscal year. The Board granted permission to Union to replace pipeline in Thamesville and to Consumers' to extend a transmission line in Kemptville.





PIPELINE EXEMPTIONS

Under special circumstances, the Board may exempt a utility from obtaining permission to construct a transmission or distribution line. During the fiscal year, the Board granted exemptions to Esso Petroleum Canada for the construction of a six inch pipeline in the City of Sarnia and to Union Gas for the construction of pipeline in the Townships of Moore and Sombra.

ACCOUNTING ORDERS

Under the Ontario Energy Board Act, the Board has the authority to determine accounting procedures of gas utilities in the province. A utility wishing to adjust its accounting practices to reflect changes in its cost of natural gas, for instance, must receive Board approval. During the fiscal year, the Board issued six accounting orders to Union, Consumers' and Inter-City.

CERTIFICATES AND FRANCHISES

The Board granted 28 certificates of public convenience and approved the terms and conditions of 23 municipal franchise agreements relating to Northern's North Shore pipeline construction project.

The Board also granted eight certificates of public convenience to Union for a pipeline extension in Lambton County and approved the terms and conditions of 11 franchise agreements between Union, Consumers' and their respective municipalities.

PERMITS TO DRILL

A utility applies to the Minister of Natural Resources under the Petroleum Resources Act for permits to inject, store or remove natural gas from designated storage areas. These applications are referred to the Ontario Energy Board for review and approval. In February 1984, Union applied for permits to drill two wells in its Dawn Gas Storage Pool and three wells in its Payne Gas Storage Pool, both located in Lambton County. The Board recommended permits for these applications.

OTHER ORDERS

During the fiscal year, the Board approved storage contracts or amendments to storage contracts for Consumers', the Kingston Public Utilities Commission and TransCanada PipeLines Limited.

COST AWARDS TO HEARING PARTICIPANTS

In the interests of encouraging participation in public hearings, the Board held a generic hearing to examine its current practices of awarding costs to hearing participants.

The public hearing convened on November 20 and 21, 1984, following publication of Notice of Hearing in 43 Ontario newspapers on August 29, and a personal mailing of the Notice to all participants in Board hearings during the previous ten years.

Eighteen of the twenty-two parties who sent in written submissions in response to the Notice also participated in the hearing.

Since the hearing was intended to deal with policy options that could be applied in the future to the Board's statutory discretion to award costs, nine members of the Board sat as the panel.

This Report will be commented upon in the next Annual Report of the Board, since it was completed after the fiscal year ended.

The Board reserved its report when the hearing adjourned. The report was issued on June 12, 1985.

A reference was taken to the Supreme Court of Ontario to ascertain whether this Board has authority to grant costs which are sometimes known as "funding" prior to or during a hearing. The Court advised the Board that The Ontario Energy Board Act does not permit it to "fund" public participation, and that the Board is limited to the issuing of costs in the same fashion as a court.

APPLICATION TO ACQUIRE SHARES

INTER-CITY GAS CORPORATION, ICG RESOURCES LTD., VIGAS PROPANE LTD. AND NORCEN ENERGY RESOURCES LIMITED

Inter-City Gas Corporation ("Inter-City"), ICG Resources Ltd. ("Resources"), and Vigas Propane Ltd. ("Vigas") and Norcen Energy Resources Limited ("Norcen") filed with the Board concurrent applications. Under subsection 26 (2) of The Ontario Energy Board Act, a utility requires the approval of the Lieutenant Governor in Council for the acquisition of 20% or more of any class of shares of a natural gas utility.

Inter-City, Resources and Vigas proposed to acquire 100 percent of the common shares of Northern and Central Gas Corporation Limited ("Northern") which were at the time owned by Norcen. The agreement also proposed a simultaneous acquisition by Norcen which would result in Norcen owning 34.7 percent of the voting First Preference Shares of Inter-City. The Board heard the applications together.

The effect of the proposed transactions on the public interest was fundamental to the inquiry. The hearing addressed the question of whether or not a parent

company affects a utility's cost of service and whether, in this instance, Inter-City was as strong financially as Norcen. The agreement, particularly the transfer to Inter-City of a \$47.3 million note owed to Northern by Norcen, was examined to determine its impact on the general public.

Inter-City's operational and organizational plans with respect to Northern and possible conflicts of interest were also reviewed

The Board concluded in its final report that the transaction, as proposed, was not in the public interest. The Board felt that the financial health of a parent company could affect the utility's cost of service and that Inter-City was not as strong financially as Norcen. Without certain safeguards, Northern would not be able to maintain its ability to meet commitments to its customers at a reasonable cost. The Board did recommend, however, that with the provision of a guarantee from a chartered bank for the \$47.3 million note and with certain undertakings by Inter-City, the transactions be approved.

REFERENCE TO REVIEW TAKE-OVER

[UNION ENTERPRISES LIMITED BY UNICORP CANADA CORPORATION

On February 1, 1985, Unicorp Canada Corporation announced an offer to purchase all of the outstanding shares of Union Enterprises Limited, the parent company of Union Gas Limited. This take-over attempt was resisted by the Directors and management of Union and there followed an acrimonious and widely publicized take-over battle. In the end Unicorp was successful in acquiring approximately 60% of the common shares of Union. These shares represented approximately 48% of the votes attached to all of Union's outstanding shares.

On February 15, 1985, following a hearing by the Ontario Securities Commission, the Lieutenant Governor in Council issued an Order requiring the Ontario Energy Board to hold a public hearing with respect to the matter. The Board was ordered to examine and report on the probable and potential impact of the acquisition on Union, its present and future customers, and energy supply in Ontario. As well

the Board was asked to examine the need for, or desirability of, the public review and regulation of both the direct and indirect ownership and control, and transfers thereof, of gas distributors and transmitters in Ontario.

Without this Order-in-Council, the Board would not have had jurisdiction to enquire into this matter. The current Ontario Energy Board Act, subsection 26 (2), requires the approval of the Lieutenant Governor in Council for any acquisition of 20% or more of any class of shares of a natural gas utility but not for the possibility of a take-over or change of control of a holding company which owns or controls a natural gas utility.

The hearing commenced on March 13, 1985 to deal with a number of procedural matters. The hearing was then adjourned to April 9, 1985.

The Board issued a lengthy report to the Minister, dated August 2, 1985. This report will be commented upon in the next Annual Report of the Board since it was submitted after this fiscal year concluded. 7

REFERENCE TO REVIEW ONTARIO HYDRO RATE PROPOSAL

EFFECTIVE JANUARY 1, 1985

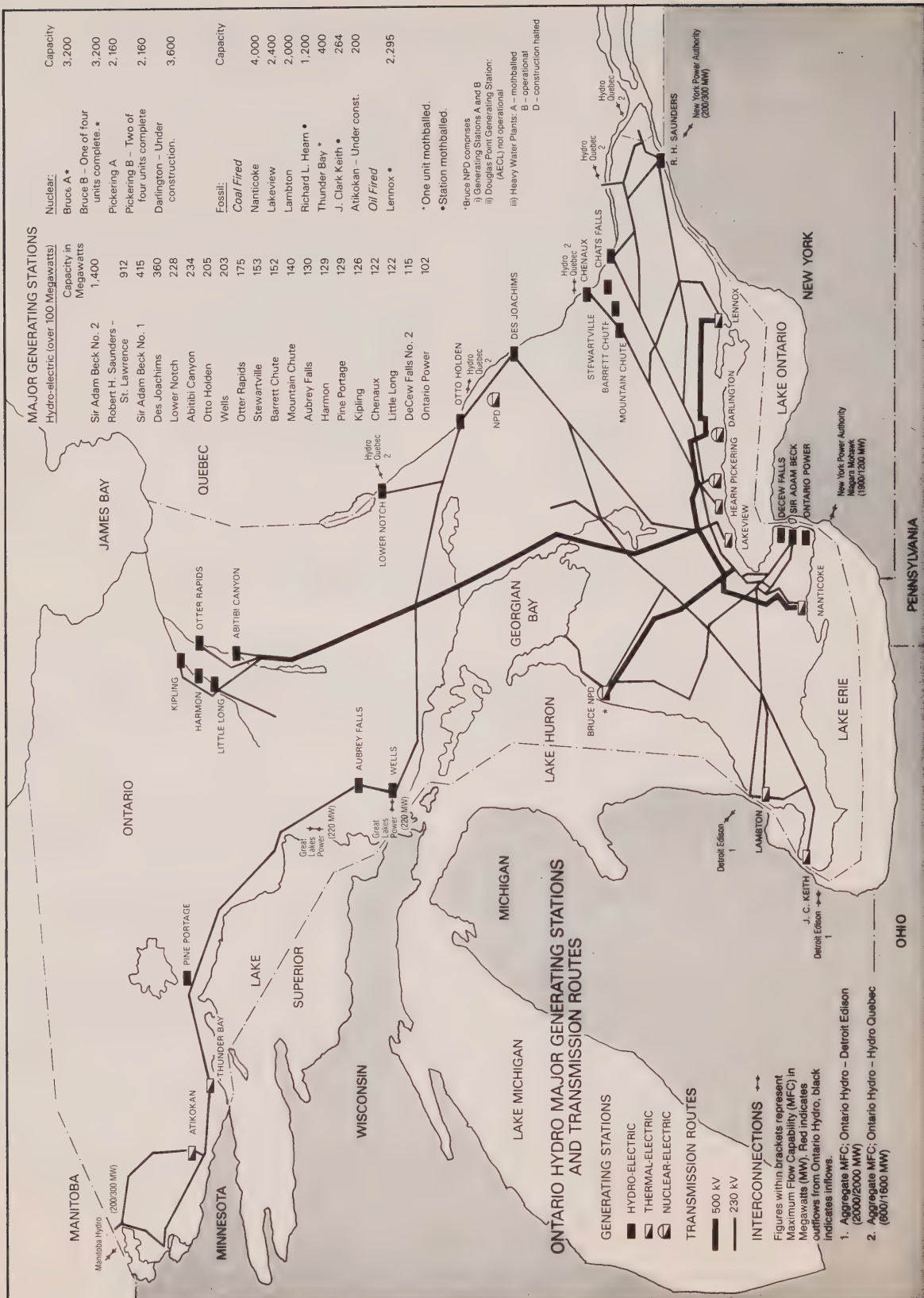
[Ontario Hydro's proposal to change its rates effective January 1, 1985, was referred to the Board by the Minister of Energy on April 16, 1984.

The hearing commenced May 29 and concluded on June 29, 1984. The Board reported to the Minister of Energy on August 30, 1984.

Hydro originally proposed an average all customer rate increase of 9.1 percent. This increase was based on a revenue requirement for 1985 of \$4,186 million, an increase of \$474 million over the level of revenue expected in 1984. The revenue requirement included a

provision for net income of \$360 million. Adjustments made to the revenue requirement during the hearing affected the net income and rate increase figures. The net income would be reduced to \$308 million if the 9.1 percent increase was implemented. If the net income was left at the proposed level of \$360 million, an average rate increase of 10.3 percent would be required.

In its Report to the Minister, the Board recommended that the proposed 1985 revenue requirement be reduced by \$71 million, thereby lowering Hydro's average rate increase to 8.6 percent. 7



CA20N
EB
-A56

ANNUAL REPORT

Fiscal Year Ended – March 31, 1986



Ontario

Ontario
Energy
Board



Ontario

Ministry
of
Energy



Energy
Ontario

56 Wellesley St. West
12th Floor
Toronto, Ontario
M7A 2B7
416/965-4286
Telex 06217880

TO:

The Honourable Lincoln M. Alexander,
P.C., Q.C., C.St.J., B.A.
Lieutenant Governor of the
Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Annual Report of the Ontario Energy Board for the fiscal year ended March 31, 1986.

Respectfully submitted,

Vincent G. Kerrio
Minister of Energy

TABLE OF CONTENTS

Letter from the Minister of Energy The Honourable Vincent G. Kerrio	Inside front cover
Highlights of Three Major Gas Utilities	1
Message from the Chairman Robert W. Macaulay	2
Board Members Fiscal 1985/86	3
Role and Jurisdiction	4
The Public Hearing Process	6
Organization	9
Overview	10
The Year in Review	
Pipeline Construction and Expropriations	13
Franchise Approvals	14
Pipeline Exemptions	14
Certificates of Public Convenience or Necessity	15
Uniform Accounting Orders	15
Reference Regarding Ontario Hydro	16
Other Energy Board Orders	17
Reports to the Minister	18
References from the Lieutenant Governor	19
Natural Gas Rate Reviews	21
Mini-Glossary	28

HIGHLIGHTS OF THREE MAJOR GAS UTILITIES UNDER BOARD JURISDICTION

Firm	Year Ending	Assets	Average Rate Base	Gas Sales Revenues	Average Residential Bill	Number of Customers
Union	(Mar. 31/86)	\$1,338,695,000	\$ 880,392,000	\$1,392,594,000*	\$752.57	518,244
Consumers' Gas	(Sept. 30/85)	\$1,608,207,000	\$1,281,500,000	\$1,657,213,000	\$901.56	842,271
Northern & Central	(Dec. 31/85)	\$ 448,021,100	\$ 308,137,000	\$ 532,030,000	Western - \$877.39 Northern - \$887.06 Eastern - \$776.68	151,578
TOTAL		\$3,394,923,100	\$2,470,029,000	\$3,581,837,000		1,512,093

* Includes revenue from storage and transportation of gas for others.

MESSAGE FROM THE CHAIRMAN

As the Ontario Energy Board enters its second quarter century, we have learned that the need for adaptability and responsiveness is the only constant that a regulatory agency can expect. In its twenty-six years of operation, the Board has labored to keep the regulatory environment in step with the times as the energy sector has gone from shortages to gluts, from prices that spiralled upward to those that spiralled down. The only matter that has not changed is the recognition by the Board that it must exercise its public responsibilities with sensitivity and care, having regard for such concerns as equity, fairness, consistency and the public interest.

In 1960, as Minister of Energy in Ontario, I assisted in the creation of this Board. I felt privileged at that time to have a direct hand in developing an innovative and, we hoped, effective response to the need to manage energy resources in the Province. I believe that the Board, as established, has proved its effectiveness and worth over the years. And once again I feel privileged to have direct involvement with this Board at such an interesting period in the regulation of energy in Canada.

The past year has brought major changes in the field of energy resource management. Many people refer to this movement as deregulation. I believe that this term is both overused and misleading. Certainly the Western Accord and the Agreement on Natural Gas Markets and Prices do, in some ways, introduce market forces into the production and sale of energy to a much greater extent than existed before. But rather than reducing the need for regulation, these federal-provincial agreements have created many new issues that require regulatory attention. The Board has begun to address these issues so that Ontario may realize benefits from the new operating environment. Many of the questions raised, however, will no doubt take some years to resolve as the industry and the regulators gain experience with the new systems. This Board is, in my opinion, equal to whatever challenges come its way in ensuring that the public interest is protected in these turbulent times.

Looking after the public interest is an exacting task. In carrying out its work, the Board often must grapple with the question of its relationship

to the Ontario government. Many people take the view that the Board is an independent body which is free to make its decisions without recognition of government statements or policy. This interpretation of the Board's role is, I think, overstated. I, for one, do not feel that the public interest can be effectively served if the Board and the Government are striving for inconsistent goals. That is not to say that the Board is a rubber stamp for government policy; but that it must be cognizant of such policy, recognizing and weighing it in its deliberations. The Government, after all, represents all residents in the province, both individual and corporate, including the utilities under this Board's jurisdiction. It is my view that we have a public duty to understand and respect Government's intention insofar as it is consistent with our mandate to ensure that the public interest is served. At the same time I feel that the work produced by the Board provides the policy makers with valuable findings and insights for use in their determination of policy direction.

During fiscal 1985/1986 the Board continued the efforts begun the previous year to introduce greater computerization. New technology not only makes possible easier and faster execution of tasks previously undertaken manually, but also facilitates the implementation of more timely and sophisticated analysis and surveillance of the operations of the companies under the Board's jurisdiction. As well, modelling techniques allow greater precision in evaluating data for the prospective test year that is used as the basis for determining utility rates. Computerization also has prompted a review of information requirements for Board proceedings. The Board and the natural gas utilities are discussing possible modifications to these requirements as well as a policy on disclosure of information provided by the utilities for use in this information system.

The major case summaries for fiscal 1985/1986 given later in this Report illustrate that the issues confronting this Board are far from parochial. Developments in the Canadian and world economies, in the various industries that compete for a share of the Ontario energy market, in financial market conditions, in new technologies, in environmental concerns, and in the ever-evolving definition of the public interest all

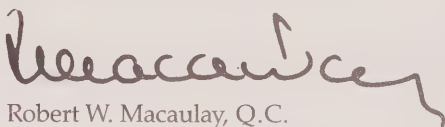
must be weighed by the Board in reaching its decisions. The various Board members bring an impressive array of experience and specialized knowledge to its deliberations. We are continually reviewing the mix of skills available in order to maintain balance and scope in the composition of the Board.

Changes in membership of the Board during fiscal 1985/1986 include the departures of Mr. Harvey R. Chatterson and Dr. Bunli Yang. We thank these gentlemen for their contributions to the work of the Board during their terms of service.

The increasingly complex workload could not have been handled without the talent, expertise and cooperation of our very dedicated staff. Over

the past year, the strength of our staff resources has been enhanced through reorganization and skill diversification, resulting, I feel confident, in this Board's having a staff second to none. I know that the entire Board joins me in thanking these people for their conscientious and competent support.

As we look to the future, I can say with confidence that this Board is ready and able to fulfil the duties entrusted to it.



Robert W. Macaulay, Q.C.
Chairman

Ontario Energy Board



Seated, left to right: John C. Butler, Robert W. Macaulay, Marie C. Rounding. *Standing, left to right:* John K. Shurie, Malcolm Jackson, Richard R. Perdue, Orville J. Cook, Denis A. Dean, Donald H. Thornton, Joseph A. DeKort, Patrice E. Boisseau.

Board Members Fiscal 1985/1986

Chairman: Robert W. Macaulay, Q.C.

Vice Chairman: John C. Butler

Members (in order of appointment):

Harvey R. Chatterson, Richard R. Perdue, Q.C., Donald H. Thornton, Q.C.,
Denis A. Dean, Marie C. Rounding, Orville J. Cook, Patrice E. Boisseau,
Bunli Yang, Joseph A. DeKort, John K. Shurie, Malcolm Jackson

ROLE AND JURISDICTION

For 26 years the Ontario Energy Board has played an important role in the management of vital energy resources in Ontario. The Ministry of Energy has an overall mandate to ensure a supply of energy that meets the needs of Ontario residents and industry at reasonable prices in a manner consistent with the protection of the environment. The Board contributes to the realization of this energy goal by exercising its regulatory mandate over the natural gas distributors and providing advisory services to the government on certain energy matters including reviewing changes in Ontario Hydro's bulk power rates. The major activities of the Board are highlighted in the following sections.

Natural Gas Utility Regulation

The regulation of gas utilities encompasses a wide variety of functions including approving franchise agreements; granting certificates of public convenience and necessity; approving rates and charges for the sale, distribution, transmission, and storage of gas; granting leave to construct pipelines or related facilities; granting authority to expropriate land for such pipelines or facilities; recommending to the Lieutenant Governor in Council designated gas storage areas; authorizing the use of such areas; and determining compensation payable to landowners of such designated areas.

The rationale for such regulation is twofold. In order to avoid costly duplication of facilities used in providing customer service, Ontario, like most jurisdictions in North America, has established a system whereby a gas utility must acquire a franchise and a certificate of public convenience and necessity before it can provide service in a given locality. In exchange for this monopoly position, the gas utilities submit to regulatory control. In addition, regulation provides some control over the expansion of the transmission and distribution system in the province.

In performing its regulatory functions, the Board must follow specific procedures and tests which are prescribed in legislation. For example in setting rates, the Board must evaluate a utility's submission using a "rate base rate of return" method. In this process the Board determines the rate base of the utility for a test year—the net

amount which the utility will have invested in facilities, working capital and other items to provide service to customers; then it determines what constitutes a fair return on that investment to the company's shareholders recognizing that, to be viable, a utility must be able to attract capital at competitive and reasonable rates. Expenses incurred in providing service are calculated and the return and the expenses are added together to obtain the company's revenue requirement—the amount it must collect from gas sales in order to recover the total cost of providing service. This total revenue requirement must then be allocated among the company's various classes of customers—residential, commercial, and industrial. The cost of providing service to each class and sub-class is different, and the Board must decide how much of the total revenues should be derived from each. The object is to determine just and reasonable rates—for the utilities and for their customers. The process described briefly here is, in reality, quite complex and is governed by both law and established regulatory and accounting principles.

The Board's Decision, usually issued with Reasons, results in a Board Order which is binding on the gas utility and also on other named parties such as a municipality or the utility's customers.

Review of Ontario Hydro Rate Proposals

When Ontario Hydro proposes changes to its bulk power rates, it must submit its rate proposal to the Minister of Energy. The Minister, in turn, refers the proposal to the Ontario Energy Board for review in a public hearing. The terms and scope of the Board's enquiry are set by the Minister in his reference to the Board, and normally do not provide for the same degree of examination as is undertaken for the gas utilities. The Board submits its report with recommendations to the Minister. Recommendations made by the Board are not binding on Ontario Hydro, and the final decision on rates rests with Hydro's Board of Directors.

Special References

From time to time the Board is called upon to hold public hearings and make reports on various energy-related issues referred to it by the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources. Such hearings provide an opportunity for individuals, public interest groups, and the industry to advance their views on important current energy issues. The ensuing report is advisory only, enabling the government to benefit from a thorough airing of each issue while maintaining its prerogative to set policy.

The Board itself also may initiate hearings on matters under its jurisdiction.

Administrative Matters

In addition to the foregoing responsibilities, which arise mainly from the Ontario Energy Board Act, the Board administers certain energy-related provisions of the Municipal Franchises Act, the Petroleum Resources Act, the Public Utilities Act, the Assessment Act, and the Toronto District Heating Corporation Act.



Pipeline workers prepare pipe sections for joining.



Providing customer information on services, conservation, safety, and energy issues is an important part of utility service.

THE PUBLIC HEARING PROCESS

Public hearings are the principal vehicle through which the Board functions. By providing a forum for the participation of all interested parties, a hearing ensures that the Board will render informed decisions which give consideration to a wide variety of views and interests.

The process has several steps:

1. Initiation

The process begins:

- a) upon the receipt of an application;
- b) upon receipt of a reference from the Lieutenant Governor in Council or from the Minister of Energy or of Natural Resources;
- c) upon direction from the Board that it will initiate proceedings to consider a matter under its jurisdiction.

2. Notice of Application

The Board directs the applicant to serve notice of the application on all affected parties and interested public groups.

For a major rate case, a natural gas utility will

- (1) publish announcements of its application in regional daily newspapers;
- (2) personally serve notice on municipal clerks in the utility's service area; and
- (3) notify others as directed by the Board.

3. Interventions

Interested parties may ensure their eligibility to participate in the hearing by filing an intervention with an explanation of the reasons for intervening.

4. Notice of Hearing

The Board determines the scope and probable length of the hearing and directs the applicant to serve notice of the time and place of the hearing on all parties who have intervened.

5. Pre-Hearing Documentation

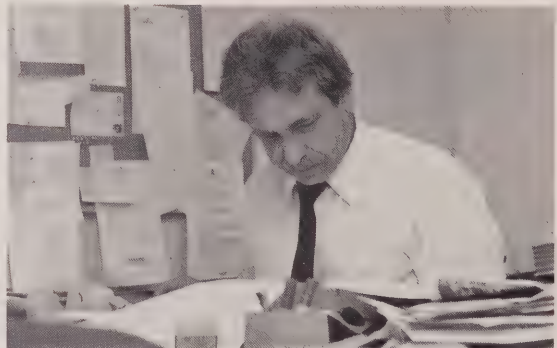
- a) Applications to construct pipelines are reviewed by the Ontario Pipeline Coordination Committee (OPCC) which examines them from an environmental

aspect. This Committee sets out steps which a utility must take before its application will be heard by the Board. Route selection and environmental impact studies are among the things that will normally be required in pre-filed evidence.

- b) Evidence in support of an application is filed with the Board up to two or three months before the hearing.
- c) Board staff and intervening parties may seek additional information by way of written interrogatories.
- d) Utilities answer interrogatories concerning pre-filed evidence before the hearing commences.

6. "First Day" Proceedings

Before the hearing of evidence commences, the Board panel may review with interested parties procedural matters, technical issues, and the general approach to the hearing. This step gives everyone the opportunity to become familiar with the application and to identify all the issues they wish to address in the hearing.



7. The Hearing

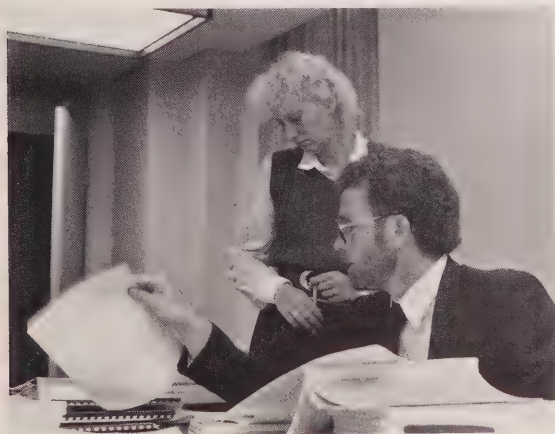
The Board ensures that sufficient evidence to make an informed decision is presented, tested and put on the record. The applicant usually testifies first through written evidence and witnesses. Intervenor and Special Counsel to Board staff then question these witnesses and may offer witnesses of their own. These witnesses may be cross-examined by the applicant.

When all the evidence has been given, each party has the opportunity to offer a summation in the form of written or oral argument.

The pre-filed evidence, transcripts of the hearing, and arguments are a matter of public record and are available at the Board office in Toronto.

8. Board Decision

The Board summarizes its findings in a "Report" or a document called "Reasons for Decision" either of which discusses all the issues and arguments raised in the hearing and indicates the Board's findings. Depending on the complexity of the case, this publication will appear a few weeks or months after a hearing. Copies of these documents are available from the Ontario Government Bookstore, 880 Bay Street, Toronto, upon payment of prescribed fees. Parties to the hearing receive copies automatically.



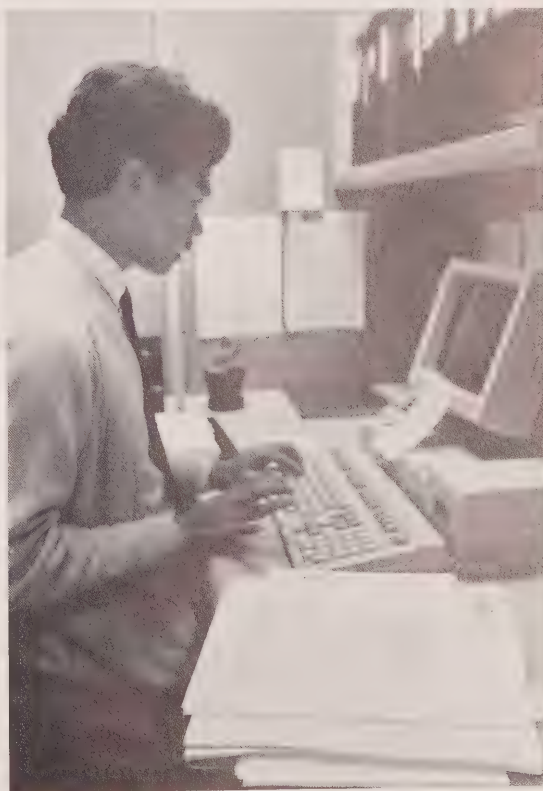
9. Board Order or Recommendation

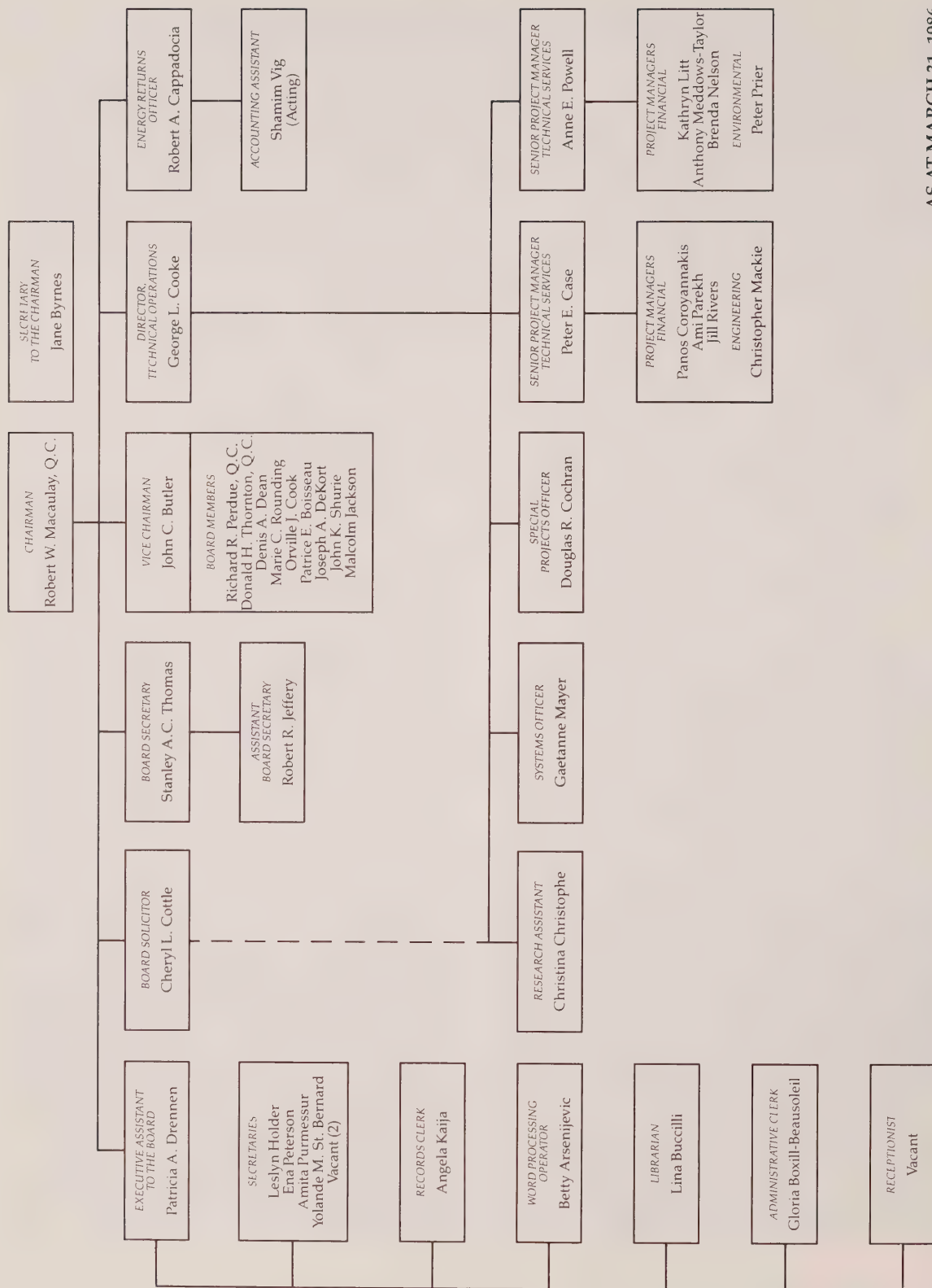
A Board Order is a legal document directing the implementation of a Board decision. It is binding on the parties named. Board Recommendations are included in Board Reports to the appropriate Minister or Lieutenant Governor in Council who may or may not implement them.

10. Review and Appeal

A Decision or Order of the Board may be appealed by

- a) applying to the Board requesting that it rescind or amend its order;
- b) petitioning the Lieutenant Governor in Council requesting that a Board Order or Decision be confirmed, varied, rescinded or reheard;
- c) appealing an Order to the Divisional Court, provided that the appeal is based upon a question of law or jurisdiction.





ORGANIZATION

Location

The Ontario Energy Board is located in downtown Toronto on two floors of the Toronto Hydro building at 14 Carlton Street. Reception is located on the 9th floor. Hearing rooms and a Reference Library are on the 8th floor.

Library

The Reference Library is open to the public. It carries periodicals and other current information on regulation and the natural gas industry. Previous Board cases are available on microfilm at this library, and anyone wishing to research previous decisions may have access.

Public Inquiries

General inquiries concerning procedural matters on applications before the Board are handled by the Board Secretary. Intervenors may also seek advice from members of the Technical staff when preparing to participate in the hearing process.

Copies of Board Decisions and Reports may be purchased by the public from the Ontario Government Bookstore, 880 Bay Street, Toronto.

Board Members and Staff

The Chairman and Board members are appointed by the Lieutenant Governor in Council. The present Chairman was appointed in 1984 for a five year term. Board members are appointed for one to three year terms. Members have diverse backgrounds in law, engineering, economics, accounting and finance, and direct energy industry experience.

There were 29 full time staff in fiscal 1985/1986, including Technical and Administrative Support staff with special or technical knowledge in matters related to Board hearings. Legal counsel and outside consultants may be engaged to conduct proceedings, advise, or testify.

Ontario Pipeline Coordination Committee (OPCC)

Chaired by a Board staff person, this Committee is concerned with the environmental impact of any pipeline construction. Ministries represented include:

- Agriculture and Food
- Citizenship and Culture
- Consumer and Commercial Relations
- Energy
- Environment
- Municipal Affairs and Housing
- Natural Resources
- Transportation and Communications

The range of membership attests to the fact that environmental concerns are very broad. The OPCC prescribes steps, such as tabling studies on route selection and environmental impact, which a utility must take before a pipeline construction application will be heard by the Board. Committee members and consultants review such pre-filed evidence before it is tabled in hearings. The Committee also handles inquiries from affected groups who have particular concerns about a construction project.



OVERVIEW

[Changes in Canadian energy policy created new challenges for the Ontario Energy Board and for the utilities under its regulation during fiscal 1985/1986. The Western Accord of March 1985 profoundly altered oil pricing and export policies, thereby changing the balance among competing energy sources. Falling world oil prices exerted downward pressure on the prices of competing fuels. Oversupply conditions for practically all energy sources exacerbated the price situation. Moreover, in reaching the Western Accord, the governments concerned also agreed that natural gas markets should be made more competitive. On October 31, 1985, the Governments of Canada, Alberta, British Columbia and Saskatchewan announced the Agreement on Natural Gas Markets and Prices which was intended to create conditions within the existing regulatory environment which would foster a market responsive pricing system in the natural gas industry.

Among other things, the Agreement would allow end-use customers to purchase gas directly from producers (direct sales), and would allow producers selling gas through TransCanada Pipelines to offer discounts including Competitive Marketing Programs (CMPs) which would be passed through TransCanada and the local utility to the end-user. Availability of direct sales would be dependent upon the availability of contract carriage arrangements—agreements whereby the local utilities carry the gas purchased under direct sale to the customer for a fee. Ontario announced that it favoured such contract carriage in the province during the interim year (November 1, 1985 to October 31, 1986), noting that the Ontario economy stood to benefit from lower gas supply prices which would help Ontario industries remain competitive. The government also noted that the Ontario Energy Board has the authority to review and approve interim contract carriage rates for a particular customer.

The Board immediately began proceedings to determine interim contract carriage rates to be used by Ontario utilities in testing the new arrangements. It quickly became evident that there were many complex issues to be resolved in determining fair rates. It is a straightforward step to subtract the cost of the gas from existing rates, but the remaining figure still has many

components. The cost of the pipelines themselves, maintenance, load balancing, and storage are just a few of the costs still left. And what if a customer does not want all of the services implied by this cost? How does this composite rate get “unbundled” for those who desire only some of the services, without affecting the interests of all other customers and the utility itself? The Board responded to the need to establish rates for immediate use while still providing for further refinement of the system by introducing “interim” rates in December 1985. Under the terms of the Board’s orders, the utilities and the customers must reimburse each other for any difference between these interim rates and the final rates fixed at a later date. The government also asked the Board to begin “intensive studies to determine whether contract carriage rates can be continued (beyond the one year phase-in period) without adverse impacts on other gas customers or on the integrity of the gas distribution system.”

The Agreement on Natural Gas Markets and Prices raises several new issues with respect to “the public interest”. More competitive pricing would appear to be in everyone’s interest, but even that simple assumption may not hold for all people in all situations. One has only to consider the results of airline deregulation to realize that although the average cost of air travel has dropped substantially in the U.S., many routes in less populated areas have been eliminated causing much inconvenience for travellers in those areas. At present the method of regulating gas utilities may provide a rationale for utilities to expand service into areas that would not ordinarily produce an adequate return on investment. Since utilities are given the opportunity to earn the allowed return on their total investment and rates for similar services are uniform across the system, the customers buying the more profitable services may in effect subsidize those buying the less profitable services. Thus it may be that “deregulation” could mean lower prices in Toronto but decreased access to service in outlying areas. Traditionally, protection of the public interest has involved the Board in striking a balance between the lowest cost of service to the public and the cost that is commensurate with an acceptable access to the system and quality of service. These issues

require careful study. The choice between complete deregulation or retention of a form of regulation that allows some control over the distribution system is one that properly lies with the Ontario government as it interprets the public interest. In the meantime, the Board will continue to exercise its responsibilities in accordance with its powers under the Ontario Energy Board Act.

There is no set definition of the concept of the public interest. If one could always attain a Pareto optimum—that is, could always make someone better off while making no one else worse off—regulation would be an easy task. Unfortunately, real life seldom offers this happy choice. In a report in 1970, the Board discussed this issue in the following terms:

One of the problems in assessing the public interest is that a benefit to one group is often a detriment to another. Thus some cost reductions, which benefit the operating company and, under rate regulation, ultimately benefit the customers or share holders or both, might be at the expense of another sector of the public, for example, the employees. Cost reductions brought about by a reduction of the level of service might benefit shareholders at the expense of customers. Changes in income tax accounting to bring about benefits to present customers or shareholders might be at the expense of future customers or shareholders, or both.

Under these circumstances it is obvious that the assessment of the public interest is not simply a matter of whether there is a specific benefit or a specific detriment. Rather, the Board, in arriving at its opinion, must weigh the various benefits against the various disadvantages and come to a conclusion as to whether there is an overall benefit or detriment to the public interest or conceivably whether, having regard to the advantages and disadvantages, there is no overall effect on the public interest.

In 1985 the Board reported to the Lieutenant Governor on the same subject as follows:

In the opinion of the Board, the public interest can only be more particularly defined by

examining the facts and nature of the situation in which the test is to be used. The public interest will consistently take the form of the facts to which it is applied, moulding itself to the specific use to which it is being put.

Having determined that the public interest is not generally definable, the Board would add that, in spite of its elusiveness, when it is applied to a specific set of facts, the reasonable man of the Common Law has no trouble determining if a particular act meets the test. A transmission tower, by this test, might be located in a productive, peaceful countryside, in spite of the residents' objections if the tower is found to be in the public interest of a nearby population centre. The public interest of the urban residents may be said to outweigh the local interests of the rural public in those circumstances.

Lord Coke put it succinctly when he wrote:

"The law prefers the public good to the private good and that if it has to choose between prejudice to the many and mischief particular to individuals, the individuals must suffer."



As the Board found in its 1985 report regarding the acquisition of Union Enterprises by Unicorp:

- 6.8 In broad terms, the public interest will be satisfied by an undertaking or action that will result over time in an enhancement of the economic or general welfare of the public. The public interest can be satisfied without improving the economic or general welfare of every member of society; indeed, it is possible that the public interest in general can be satisfied even if some members of society are economically damaged.

Essentially, one might interpret the public interest as the best possible accommodation of conflicting interests.

- 6.9 In the regulatory context, the OEB follows a judgmental path in resolving conflicts of particular interests so as to arrive at a decision which the Board feels to be the best possible, in the public interest. There are no firm criteria for determining the public interest that will hold good in every situation and, generally speaking, it is probably preferable not to attempt to define these criteria too closely. The public interest is dynamic, varying from one situation to another and the criteria by which the public interest is judged may also change according to the circumstances. In considering the criteria, the Board must exercise judgment as to the specific values of conflicting interests. It must decide whether the public interest would be done any disservice in the event that the particular proposal was not approved.

Certainly the range of topics that are of public concern has greatly expanded in recent years. For example, environmental issues are no longer of interest to only a select few.

The Board has spent increasing amounts of time and research on environmental issues because it recognizes that such questions have significant implications for the quality of life in the province. Modern facilities and new service arrangements are necessary if Ontario is to grow and compete in Canadian and world markets, but the Board strives to ensure that changes occur with minimal

disruptions to the ecosystems—be they economic, natural or social. The Ontario Pipeline Coordination Committee, under the direction of the Board, seeks to ensure that construction projects are given careful and full examination regarding environmental impact before permission to proceed with Board hearings is granted. As well, the Board itself hears testimony regarding environmental issues during its public hearings.

The issue of contract carriage focused attention on the transmission and distribution of gas in the rate setting process. It must be remembered, however, that effective energy management also concerns itself with security of supply, safety, relationships among competing fuel sources, and conservation. When the Board sets rates, it endeavors to shape the attitudes of the utilities and their customers on these important concerns. Regulators seek to ensure security of supply and stability in prices, but they are ever-mindful of the need to provide flexibility in rate design and incentive programs so that utilities may attain their revenue requirement in a manner consistent with achieving overall energy management goals.

The Board has recently undertaken a complete re-evaluation of the Ontario Energy Board Act. While the Board feels that the Act has provided an excellent framework for regulation in the public interest for many years, it wishes to ensure that efficiency and effectiveness can be maintained in the face of the dramatic changes in the industry. In the past, the Board has been able to meet its responsibilities without changes in legislation. This may still be possible, but there is a growing concern that the time is fast approaching when events may overtake us. As an essential element of the energy management that has contributed to the high standard of living in Ontario, the regulatory environment for the natural gas industry must keep pace with a changing world.]

THE YEAR IN REVIEW

The following sections contain lists of activities carried out by the Board between April 1, 1985, and March 31, 1986. The lists are grouped by type, and significant activities in each group are elaborated. Cases may have three stages: hearing, Report or Reasons for Decision, and, where appropriate, Board Orders. Our lists include cases for which any one or more stages occurred during the fiscal year. This approach was selected

because many cases span more than one year, and a true picture of Board activity can be garnered only by recognizing this ongoing work. For example, the main rate hearing for Northern & Central Gas (EBRO 408) consumed considerable time and effort in fiscal 1985/1986 although the decision was not issued until fiscal 1986/1987.

Pipeline Construction and Expropriations (EBLO)

EBLO applications seek leave to construct pipelines or related facilities. Once leave is granted, the Board may also grant the utility authority to seek expropriations for land affected by the allowed construction if the utility and the landowners fail to reach voluntary agreement.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBLO 206	Union	Expropriation: DHLL 301, 304, 304E, 313, 320, 320E	Apr. 22/85	—	Apr. 26/85
EBLO 208	Northern & Central	Leave: North Shore Project	Dec. 18/84	Mar. 13/85	May 14/85
EBLO 208	Northern & Central	Expropriation: 202, 210, 181, 147, 722, 717, 711, 706, 692, 400, 392, 686, 572, 453, 363, 360, 357, 751, 236, 356, 978	May 21 /85	—	June 3/85
EBLO 209	Union	Leave: Forest-Parkhill Line	Mar. 12/85	May 17/85	Aug. 12/85
EBLO 210	Consumers'	Leave: Manotick Line	Apr. 16/85	—	May 14/85
EBLO 211	Consumers'	Leave: Kemptville Line	Apr. 16/85	—	May 14/85
EBLO 214	Northern & Central	Leave: North Bay-Sudbury Loops	Dec. 16/85	—	Jan. 20/86 (part)
EBLO 215	Consumers'	Leave: NPS36-Parkway Belt West	Mar. 6/86	—	May 12/86

EBLO 208: THE NORTH SHORE EXPROPRIATIONS

As reported in last year's Annual Report, the Board issued its decision on January 21, 1985, allowing Northern and Central Gas Corporation Limited to construct a 170 kilometer pipeline from Sault Ste. Marie to Blind River and Elliot Lake.

As Northern was unable to acquire easements from all the affected landowners, the company applied to the Board in May 1985, under Section

49 of the Ontario Energy Board Act, for authority to expropriate land for pipeline right-of-way in order to be able to commence construction.

On May 21, 1985, the Board convened a hearing in Sault Ste. Marie to hear the expropriation application. On May 23, 1985, the Board issued oral Reasons for Decision granting authority to expropriate.

Franchise Approvals (EBA)

Under the Ontario Energy Board Act, the Board must approve the terms and conditions of agreements between gas utilities and municipalities.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBA 391	Consumers'	Franchise: Township of Rideau	Apr. 16/85	—	May 17/85
EBA 435	Northern & Central, Consumers'	Rehearing Township of Oro Franchise	Mar. 21/86	May 27/86	June 25/86
EBA 448	Consumers'	Franchise: City of Thorold	Apr. 16/85	—	May 31/85
EBA 449	Northern & Central	Franchise: Township of Macdonald, Meredith, Aberdeen Additional	Dec. 18/84	Mar. 13/85	May 31/85
EBA 450	Northern & Central	Franchise: Town of Elliott Lake	Dec. 18/84	Mar. 13/85	May 31/85
EBA 451	Northern & Central	Franchise: Town of Blind River	Dec. 18/84	Mar. 13/85	May 31/85
EBA 452	Northern & Central	Franchise: Village of Iron Bridge	Dec. 18/84	Mar. 13/85	May 31/85
EBA 454	Union	Franchise: Town of Forest	Mar. 12/85	May 17/85	Aug. 12/85
EBA 455	Union	Franchise: Town of Parkhill	Mar. 12/85	May 17/85	Aug. 12/85
EBA 456	Union	Franchise: Village of Arkona	Mar. 12/85	May 17/85	Aug. 12/85
EBA 457	Union	Franchise: Village of Ailsa Craig	Mar. 12/85	May 17/85	Aug. 12/85
EBA 458	Union	Franchise: Village of Thedford	Mar. 12/85	May 17/85	Aug. 12/85
EBA 459	Union	Franchise: Township of Bosanquet	Mar. 12/85	May 17/85	Aug. 12/85
EBA 460	Union	Franchise: Township of East Williams	Mar. 12/85	May 17/85	Aug. 12/85
EBA 461	Union	Franchise: Township of West Williams	Mar. 12/85	May 17/85	Aug. 12/85
EBA 462	Consumers'	Franchise: Township of South Gower	Apr. 16/85	—	May 17/85
EBA 463	Consumers'	Franchise: Township of Oxford-on-Rideau	Apr. 16/85	—	May 17/85
EBA 464	Union	Franchise: County of Lambton	Mar. 12/85	May 17/85	Aug. 12/85
EBA 465	Northern & Central	Franchise: Township of Val Rita	Mar. 27/85	—	Apr. 15/85
EBA 472	Ontario Energy Board	Rehearing of Lambton & Blenheim	Nov. 25/85	—	June 30/86

Pipeline Exemptions (PL)

Under special circumstances, the Board may exempt a utility from undergoing a public hearing to obtain permission to construct a transmission or distribution line. Usually PLs are granted for repairs or minor relocations.

FILE NUMBER	APPLICANT	MATTER	ORDER
PL 43	Petrosar	Exemption: Lampton Construction	Aug. 9/85
PL 44	Union	Exemption: Thamesville Replacement	July 26/85
PL 45	Consumers'	Exemption: NPS-12 West End of Ottawa	Nov. 13/85
PL 46	Northern & Central	Exemption: Portion of North Shore Project on Hwy #557	Oct. 16/85
PL 49	Northern & Central	Exemption: Blind River Transmission Line	Jan. 15/86

Certificates of Public Convenience or Necessity (EBC)

The Board issues EBCs enabling a utility to proceed with construction necessary for the provision of service to a part or the whole of the franchise area.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	CERTIFICATE
EBC 139	Northern & Central, and Consumers'	Rehearing: Township of Oro Franchise	Mar. 21/86	May 27/86	June 25/86
EBC 147	Northern & Central	Cert: Town of Elliot Lake	Dec. 18/84	Mar. 13/85	May 31/85
EBC 148	Northern & Central	Cert: Township of Macdonald, Meredith & Aberdeen Additional	Dec. 18/84	Mar. 13/85	May 31/85
EBC 149	Northern & Central	Cert: Township of Day & Bright Additional	Dec. 18/84	Mar. 13/85	May 31/85
EBC 150	Northern & Central	Cert: Township of Thessalon	Dec. 18/84	Mar. 13/85	May 31/85
EBC 152	Northern & Central	Cert: Town of Blind River	Dec. 18/84	Mar. 13/85	May 31/85
EBC 153	Northern & Central	Cert: Village of Iron Bridge	Dec. 18/84	Mar. 13/85	May 31/85
EBC 154	Northern & Central	Cert: Township of Johnson	Dec. 18/84	Mar. 13/85	May 31/85
EBC 155	Northern & Central	Cert: Township of Plummer Additional	Dec. 18/84	Mar. 13/85	May 31/85
EBC 156	Northern & Central	Cert: Township of Thompson	Dec. 18/84	Mar. 13/85	May 31/85
EBC 157	Union	Cert: Town of Forest	Mar. 12/85	May 17/85	Aug. 12/85
EBC 158	Union	Cert: Town of Parkhill	Mar. 12/85	May 17/85	Aug. 12/85
EBC 159	Union	Cert: Village of Arkona	Mar. 12/85	May 17/85	Aug. 12/85
EBC 160	Union	Cert: Village of Ailsa Craig	Mar. 12/85	May 17/85	Aug. 12/85
EBC 161	Union	Cert: Village of Thedford	Mar. 12/85	May 17/85	Aug. 12/85
EBC 162	Union	Cert: Township of Bosanquet	Mar. 12/85	May 17/85	Aug. 12/85
EBC 163	Union	Cert: Township of East Williams	Mar. 12/85	May 17/85	Aug. 12/85
EBC 164	Union	Cert: Township of West Williams	Mar. 12/85	May 17/85	Aug. 12/85
EBC 165	Consumers'	Cert: Township of Rideau	Apr. 16/85	—	May 17/85
EBC 166	Consumers'	Cert: Township of South Gower	Apr. 16/85	—	May 17/85
EBC 167	Consumers'	Cert: Township of Oxford-on-Rideau	Apr. 16/85	—	May 17/85
EBC 168	Northern & Central	Cert: Township of Val Rita	Mar. 27/85	—	Apr. 15/85

Uniform Accounting Orders (UA)

Under the Ontario Energy Board Act, the Board has the authority to prescribe accounting procedures of gas utilities in the province. A utility wishing to adjust its accounting practices must receive Board approval.

FILE NUMBER	APPLICANT	MATTER	ORDER
UA 58	Consumers'	Deferral of Gas Cost Charges	Oct. 18/85
UA 59	Union	Deferral of Gas Cost Charges	Oct. 18/85

Reference from the Minister of Energy Regarding Ontario Hydro (HR)

When Ontario Hydro wishes to change its bulk power rates, it must submit a proposal to the Minister of Energy. The Minister must then forward the proposal to the Board for review, through a public hearing, and Report. The Board's Report with recommendations is given to the Minister.

HR 14: ONTARIO HYDRO RATE PROPOSAL

Ontario Hydro's proposal to change its rates effective January 1, 1986, was referred to the Board by the Minister of Energy on April 11, 1985.

Hydro originally proposed an average all customer rate increase of 3.6 percent. This increase was based on a revenue requirement for 1986 of \$4,521 million, an increase of \$262 million over that for 1985. Of this increase, \$105 million was forecast to be recovered through increased sales volumes, leaving \$157 million to be

recovered through the rate increase. The proposed revenue requirement included a net income provision of \$400 million.

In its Report to the Minister, the Board recommended an average rate increase of 4.9 percent based on a 1986 revenue requirement of \$4,597 million. This revenue requirement included a net income provision of \$500 million. The Board indicated that this level of planned net income would contribute to improved financial soundness.]

Determination of Revenue Deficiency and Average All Customer Rate Increase for the Year Ending December 31, 1986 (\$ millions)

Revenues at Existing Price Levels	Original Submission	Updated Forecast	Board Recommendation
Primary Sales	4,364	4,364	4,384
Revenue Requirement	4,521	4,522	4,597
Revenue Deficiency	(157)	(158)	(213)
Average All Customer Rate Increase	3.6%	3.6%	4.9%

Pro-Forma Income Statement for the Year Ending December 31, 1986 (\$ millions)

	Original Submission	Updated Forecast	Board Recommendation
Gross Revenue Requirement	4,922	4,922	5,002
Deduct - Secondary Sales	(401)	(400)	(405)
Net Revenue Requirement	<u>4,521</u>	<u>4,522</u>	<u>4,597</u>
Operation, Maintenance and Administration	1,003	1,002	970
Fuel and Fuel-Related	1,143	1,115	1,108
Depreciation	690	689	709
Interest and Foreign Exchange	1,686	1,688	1,715
Net Income	<u>400</u>	<u>428</u>	<u>500</u>

Other Energy Board Orders (EBO)

This is a miscellaneous grouping of Board orders and decisions that do not fall within the defined categories. It is used for applications requesting orders for permission for such things as discontinuing service. It is also used for generic hearings—those called by the Board to give interested parties an opportunity to express their views on, and give the Board an opportunity to indicate its policies and guidelines regarding, general issues under its jurisdiction.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBO 111	Clarke	Joining of Interests - Enniskillen-26	Mar. 5/85	May 24/85	Aug. 12/85
EBO 114	Ram	Unitization: Cromar East Field	Apr. 29/85	Sept. 20/85	Sept. 16/85
EBO 116	Ontario Energy Board	Awarding of Costs	Nov. 20/84	June 12/85	—
EBO 122	Union	Contract Approval: Gaz Metro	—	—	June 5/85
EBO 123	Union	Designation of Lands East of Bickford Place	Feb. 18/86	June 18/86	—
EBO 124	Union	Contract Approval: Northern & Central	—	—	Sept. 23/85
EBO 125	Ontario Energy Board	Review of Franchises & Certificates	Nov. 13/85	May 21/86	—
EBO 127	Haldimand Oil & Gas	Leave to Discontinue Service	Nov. 7/85	Dec. 9/85	Dec. 2/85

EBO 116: GENERIC HEARING: COST AWARDS TO HEARING PARTICIPANTS

The Board's Report on the Awarding of Costs and Related Procedural Matters was issued on June 12, 1985. The procedure that was set out in the Report has been put into practice during this fiscal year.

The eligibility for a cost award and the proportion of the costs to be awarded are decided by the panel hearing an application. The party awarded costs then submits a statement of costs to the Board. The Board Solicitor has been authorized to act as the Assessment Officer; the Assessment Officer will make a recommendation to the Board panel on the quantum of costs, i.e., whether the expenditures claimed are reasonable in the circumstances and have been incurred directly and necessarily for the purpose of the proceeding. The parties may make an objection to this recommendation. A cost award will be issued fixing the quantum to be awarded by the Board after it considers the recommendation and any objections.

The Board did not deal with interim costs in the Report, instead it stated a case to the Divisional Court to clarify the Board's jurisdiction with respect to interim cost awards. The Court advised that the Board did not have the jurisdiction to provide intervenor funding in advance of a hearing "under the guise of exercising its 'costs' jurisdiction" and that legislative change was required. A motion for leave to appeal that decision was made in September to the Ontario Court of Appeal; leave to appeal was denied.

In this fiscal year, cost awards were awarded in EBRO 403, EBRO 405-1 and HR 14.

EBO 125: GENERIC HEARING: NATURAL GAS FRANCHISE AGREEMENTS

The hearing was called by the Ontario Energy Board to allow a complete review of municipal franchise agreements by all parties involved—the municipalities, the gas distributors, the gas consumers (particularly the large-volume customers) and the Board itself.

Municipal franchise agreements generally contain two elements—the rights granted to the gas utility by the municipality to supply gas to the inhabitants and to use the municipal roadways to install a pipeline system, and the duties of the gas utility to comply with municipal requirements in return for the right to occupy the roadway. A major area of discussion was the sharing of costs of pipeline relocations caused by municipal construction in the municipal right-of-way.

A related issue was the control over the use of such right-of-way once a franchise had been awarded granting to a utility the right to occupy such space.

The OEB report proposed the establishment of a multi-party working committee (the Municipal Franchise Agreement Committee) made up of representatives of the municipalities of the three major franchise areas, the three major utilities (Consumers’ Gas, Northern & Central Gas, and Union Gas), and the Board staff. A major task of this committee is to draft a model agreement to which parties and the OEB can refer as new agreements and renewals come before the Board for approval. The Committee also will consider a new model formula to allocate the costs incurred in pipeline relocation.

Reports to the Minister (EBRM)

The Minister of Natural Resources or the Minister of Energy may refer energy-related matters to the Board. The Board then holds hearings and issues its report to the appropriate minister. A common type of EBRM arises from a request for a permit to inject, store or remove natural gas from designated storage areas. Such requests are made to the Minister of Natural Resources under the Petroleum Resources Act. The Minister then refers the applications to the Ontario Energy Board for review and approval.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REPORT
EBRM 70	Dow	Permit to Drill	Mar. 26/86	June 13/86
EBRM 74	Dow	Permit to Flood	Mar. 26/86	June 25/86
EBRM 77	Union	Permit to Drill Payne 20, Moore 22	—	May 24/85
EBRM 78	Union	Permit to Drill Dawn 258, Dawn 19-1	—	May 24/85
EBRM 80	Proto Resources Ltd.	Permit to Inject	Nov. 14/85	Nov. 25/85
EBRM 81	R.G. Bryant	Permit to Drill	Feb. 14/86	Feb. 17/86

References from the Lieutenant Governor in Council (EBRLG)

The Lieutenant Governor in Council may instruct the Board to carry out enquiries into energy-related matters. The Board then holds a hearing and makes a report with recommendations to the Lieutenant Governor.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REPORT
EBRLG 28	Lieutenant Governor in Council	Reference Re: Unicorp/Union	Apr. 9/85	Aug. 2/85
EBRLG 29	Lieutenant Governor in Council	Reference Re: LNG	Mar. 25/86	

EBRLG 28: UNION/UNICORP

On February 15, 1985, the Lieutenant Governor in Council issued an Order requiring the Ontario Energy Board to hold a public hearing with respect to the takeover of Union Enterprises Ltd. by Unicorp Canada Corporation. The Board was asked to examine and report on the probable and potential impact of the acquisition on Union, its present and future customers, and energy supply in Ontario. As well, the Board was asked to examine the need for, or desirability of, the public review and regulation of both the direct and indirect ownership and control and transfers thereof, of gas distributors and transmitters in Ontario.

The hearing was held between April 9 and May 19, 1985. The Board issued its report to the Lieutenant Governor in Council on August 2, 1985.

During the hearing, details of significant financial transactions which enabled Unicorp to be successful in its takeover bid were made public for the first time. As well, significant evidence was presented that caused the Board to examine not only its role during the transfer of ownership or control of a natural gas utility, but also its regulatory powers in general and its on-going responsibilities and authority.

In its Report the Board re-affirmed the importance of the Government retaining its power of approval over the control or ownership of the three major natural gas utilities. As a result, the Board recommended that Section 26 of the Ontario Energy Board Act should be amended to provide for the following:

No accumulation/acquisition of the voting shares

of the utility, the parent or the grandparent of the utility, greater than 20% should take effect without the approval of the Lieutenant Governor;

The proposed new owner must advise the Lieutenant Governor, the Minister of Energy and the OEB, of its intent to acquire such ownership or control of an Ontario gas utility;

At the direction of the Lieutenant Governor, the OEB would hold a public hearing into the matter and make recommendations relating to any conditions of approval;

The conditions of approval would be treated as an order of the Board and be monitored and enforced by it as such;

The Lieutenant Governor would have the power under Section 35 to waive such a public hearing. The Board stated its view, however, that public hearings are desirable in these circumstances. In the absence of a public hearing, the Board submitted that it should be asked to recommend any appropriate conditions of approval since it will have the duty to monitor and enforce the conditions;

Any transfer without the approval of the Lieutenant Governor would be void.

With respect to the Union/Unicorp takeover specifically, the Board recommended certain changes to the undertakings that Union and Unicorp had indicated they would jointly give to the Lieutenant Governor in Council. Subject to these and the other recommendations set forth in its Report, the Board recommended to the Lieutenant Governor in Council that no action be taken to interfere with the takeover of Union Enterprises by Unicorp Canada Corporation.

EBRLG 29: REFERENCE TO REVIEW PROPOSED LIQUEFIED NATURAL GAS (LNG) STORAGE FACILITY

In April 1985, Consumers' Gas announced its plan to construct an LNG storage facility to accommodate peak gas demands. The Ontario Pipeline Coordination Committee reviewed site selection data in September 1985.

On October 15, 1985, Consumers' filed two applications with the Ontario Energy Board for:

1. leave to construct two natural gas transmission pipelines; and
2. a certificate of public convenience and necessity to construct works and supply gas in the Township of Haldimand.

The applications proposed that a Liquefied Natural Gas (LNG) storage facility and the transmission pipelines to transport gas to and from the plant be constructed in Haldimand Township. The facility was proposed as a "peakshaving" plant to meet peak temperature sensitive load in 1994.

Consumers' proposed to build the plant on a 180 hectare site. The capacity of the proposed storage tank would be 92,000m³ (liquid); the process facilities would be capable of supplying 8500 10³m³ (gas) for the seven peak days anticipated in 1994. The liquid would be stored at -162°C at approximately atmospheric pressure. The anticipated cost of the project was proposed to be over \$100 million.

After requests by concerned citizens to designate the project under the Environmental Assessment

Act, the Minister of the Environment referred the proposal to the Environmental Assessment Advisory Committee. The committee solicited opinions from interested parties and subsequently recommended that the proposal be designated under that Act. However, the Lieutenant Governor in Council by an Order in Council ordered the Ontario Energy Board to examine and, after holding a public hearing, to report on Consumers' proposal to construct the LNG storage facility.

The Order in Council required the OEB to "take into account all such matters as to it appear to be relevant, and without limiting the generality of the foregoing, the Board is to have regard to the following:

- a. the need for the Project;
- b. the alternatives to the Project which will satisfy that need;
- c. the safety considerations associated with the Project;
- d. the advantages and disadvantages of the Project, the alternatives to the Project and the six candidate sites considered by the applicant, taking into account the physical, social, economic, cultural and natural environment, including effects on air, land and water; and
- e. the economic feasibility of the Project."

The Board announced that the hearing would be held in Cobourg, Ontario. The hearing took place after the fiscal 1985/1986 yearend and will be reviewed in the next Annual Report.



Members of public review Consumers' display at LNG hearings.

Natural Gas Rate Reviews and Interim Rate Reviews (EBRO)

EBRO applications are made by the utilities to seek rate adjustments. The Board may also initiate such proceedings if a utility has not submitted an application and the Board considers that a review is required.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBRO 392-5	Wellandport	Interim Rates	—	—	Jan. 3/86
EBRO 403	Consumers'	Rates	June 3/85	Sept. 25/85	Oct. 11/85
EBRO 403-1	Consumers'	Interim Rates	Nov. 20/85	Dec. 23/85 & Jan. 14/86	Dec. 6/85
EBRO 405-1	Union	Rates	June 25/85	Oct. 28/85 Nov. 29/85 'addendum	Dec. 24/85(1) June 6/86
EBRO 405-2	Union	Rates	Nov. 18/85	May 5/86	Apr. 7/86 June 5/86
EBRO 405-3	Union	Rehearing of Rate to Petrosar	Mar. 18/86	—	July 21/86 Portion of EBRO 405
EBRO 406	Tecumseh	Rates	May 13/85	June 14/85	July 26/85
EBRO 407	NRG	Rates	Dec. 2/85	Feb. 28/86	Mar. 26/86
EBRO 407-A	NRG			Apr. 18/86	Apr. 25/86
EBRO 407-1	NRG	Rates	—	—	Apr. 29/85
EBRO 407-2	NRG	Interim Rates	July 31/85	—	Aug. 12/85
EBRO 407-3	NRG	Interim Rates	Nov. 8/85	—	Nov. 28/85
EBRO 407-5	NRG	Interim Rates - Revenue Deficiency	Jan. 14/86	Jan. 22/86	Feb. 4/86
EBRO 408	Northern & Central	Rates	Oct. 15/85	May 30/86	July 21/86
EBRO 408-1-1	Northern & Central	Interim - Removal of C.O.S.C. & T.A.P.	Dec. 17/85	Jan. 15/86	Feb. 4/86
EBRO 408-1-2	Northern & Central	Interim - Revenue Deficiency	—	Jan. 15/86	Feb. 4/86 Portion of EBRO 408-1-1
EBRO 409	Kidd Creek	Rates	Oct. 21/85	Apr. 21/86	June 25/86
EBRO 410	Consumers'	T-Rates	Jan. 27/86	Apr. 4/86	—
EBRO 410-1-1	Cyanamid	Interim - T-Rates	Jan. 27/86	—	Dec. 24/85
EBRO 410-1-1	Cyanamid	Interim Interim Rates (amendments to 410)	—	—	Feb. 27/86
EBRO 410-2-1	QNS Paper	T-Rates (Consumers')	—	—	Feb. 28/86
EBRO 410-3-1	Canadian Gypsum	Interim T-Rates (Consumers')	—	—	Mar. 26/86
EBRO 411	Northern & Central	T-Rates	Jan. 27/86	Apr. 4/86	—
EBRO 411-1-1	Nitrochem	Interim T-Rates	Jan. 27/86	—	Dec. 24/85 411-1-1
EBRO 412	Union	T-Rates	Jan. 27/86	Apr. 4/86	—
EBRO 412-1	C.I.L.	Interim T-Rates	Jan. 27/86	—	Dec. 24/85 412-1-1

Natural Gas Rate Reviews and Interim Rate Reviews (EBRO) (continued)

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBRO 412-2-1	Canadian Gypsum	Interim T-Rates (Union)	—	—	Mar. 26/86
EBRO 412-3-1	Polysar	Interim T-Rates (Union)	—	—	Mar. 26/86
EBRO 413-1-1	Union	CMP Rate - C.I.L.	—	—	Jan. 10/86
EBRO 413-2-1	Union	CMP Rate - Allied Chemical	—	—	Feb. 3/86
EBRO 415-1-1	Northern & Central	CMP Rate - Algoma Steel	—	—	Feb. 27/86
EBRO 415-2-1	Northern & Central	CMP Rate - Great Lakes Forest Producers	—	—	Feb. 27/86
EBRO 415-3-1	Northern & Central	CMP Rate - Dupont Canada	—	—	Feb. 27/86
EBRO 415-4-1	Northern & Central	CMP Rate - Abitibi Price Inc.	—	—	Feb. 27/86
EBRO 415-5-1	Northern & Central	CMP Rate - Courtaulds Canada	—	—	Feb. 27/86
EBRO 415-6-1	Northern & Central	CMP Rates - Inco	—	—	Mar. 12/86
EBRO 415-7-1	Northern & Central	CMP Rates - Dupont Canada	—	—	Mar. 19/86
EBRO 415-8-1	Northern & Central	CMP Rates - Cornwall Chemical Ltd.	—	—	Mar. 19/86
EBRO 415-9-1	Northern & Central	CMP Rates - Spruce Falls Power & Paper Co.	—	—	Mar. 25/86
EBRO 417-1-1	Consumers'	CMP Rates - Ford Glass Ltd.	—	—	Mar. 21/86
EBRO 417-2-1	Consumers'	CMP Rates - Ford Motor Company of Canada	—	—	Mar. 21/86



Anticipating the possibility of the need for future changes to the pipeline system, a worker welds on the main-flange which will facilitate adaptability of the line.

EBRO 403: THE CONSUMERS' GAS COMPANY LTD. (CONSUMERS')

Consumers' is Canada's largest natural gas distribution utility serving over 800,000 residential, commercial and industrial customers in south, central and eastern Ontario, western Quebec and northern New York state. Its annual sales of gas in Ontario are in excess of 8.5 10⁹m³.

By application dated March 7, 1985, Consumers' requested rate increases for all customers effective October 1, 1985, in order to recover a projected \$23.9 million gross revenue deficiency for its 1986 test year. The hearing which began on June 3, 1985, lasted approximately three weeks. The Board issued its decision September 25, 1985.

During the course of the hearing, a number of modifications were made by Consumers' to its submission, resulting in reductions to the claimed revenue deficiency. The table shows the key financial elements of Consumers' final submission and the Board's decision. Data from the previous Board decision, which was for Consumers' 1984 test year, is shown for comparison.

	EBRO 395 Previous Board Decision	EBRO 403 Final Consumers' Submission	EBRO 403 Board Decision Sept. 25/85
TEST YEAR ENDING SEPT. 30			
	1984	1986	1986
Rate Base (\$000's)	1,211,700.0	1,299,800.0	1,284,200.0
Utility Income (\$000's)	155,100.0	159,500.0	159,700.0
Indicated Rate of Return on Rate Base	12.80%	12.27%	12.44%
Cost of Capital			
Long-term Debt	12.11%	12.00%	11.98%
Unfunded Debt	10.00%	10.50%	10.00%
Preference Shares	10.98%	11.27%	11.27%
Common Equity	15.30%	15.50%	15.00%
Allowed/Requested Return on Rate Base	12.80%	12.98%	12.59%
Gross Revenue Deficiency (\$000's)	---	19,500.0	4,200.0

The changes in rate base made by the Board largely reflect its direction to Consumers' to remove certain of its non-utility activities such as merchandising programs (appliance centres) from rate base and hence from rate regulation.

As part of its submission, Consumers' proposed new rates which were to reflect three seasons rather than the existing two seasons. The Board rejected this proposal at that time.

The gross revenue deficiency of \$4.2 million found by the Board was not reflected in rates, but rather was placed in a deferral account. On November 4, 1985, Consumers' applied to re-open EBRO 403 to reflect in rates the deferred \$4.2 million deficiency and the balances in other deferral accounts including the one that had been accumulating various cost of gas changes. The net result of closing out all these deferral accounts was a rate decrease for all customers.

EBRO 405: UNION GAS LIMITED (UNION)

Union is the second largest gas distributor in Ontario, serving approximately 518,000 customers in Southwestern Ontario. Union also operates a network of pipeline, storage and compression facilities to provide service to its customers and other utilities in Eastern Ontario and Quebec.

Union did not file an application to increase rates for its 1986 test year (12 months ending March 31, 1986). However, in light of Union's actual and forecast overearnings for fiscal 1984 and fiscal 1985, the Board convened a hearing to enquire into, hear and determine certain matters with respect to Union's 1986 fiscal year.

On January 23, 1985, Union applied for a rate increase for its 1987 fiscal year. Union also applied at that time for an order to recover in rates the balances in and accruing under SNG Premium Accounts No. 3 and No. 4, together with interest costs thereon. In applying for these rate increases, Union also sought an appropriate rate classification and rate for the sale of gas to Petrosar Limited.

The Board's review of certain matters with respect to Union's 1986 fiscal year was heard together with Union's application for recovery of SNG Accounts No. 3 and No. 4 and its request for an appropriate rate classification and rate for the sale of natural gas to Petrosar. The hearing was held under Board File EBRO 405-1 in July and August of 1985. The Board issued its Reasons for Decision on October 28, 1985.

The hearing into Union's application for a rate increase for fiscal 1987 was held under Board File EBRO 405-2 during November and December 1985 and January 1986. The Board issued a decision on April 3, 1986, with reasons following on May 5, 1986. The content of that decision will be discussed in next year's Annual Report of the Board.

The Board's EBRO 405-1 Decision found the rate applicable to sales of natural gas by Union to Petrosar, pending the outcome of the litigation between these two parties, should be negotiated within the present M7 range. Following an appeal of this Decision to Cabinet by Union, the Board, on its own motion, reviewed and confirmed its Decision under file EBRO 405-3.

The capital budget forecast for fiscal 1986 was lowered by \$6.6 million; the allowance for cash working capital was reduced by \$397,000; the forecast of 1986 M7 sales volume was adjusted upwards by 188,035 10³m³; and the forecast of operations and maintenance expense was reduced by \$2,345,000. The rate of return on common equity from the EBRO 397 Decision was accepted without contest. As a result of these adjustments, the Board found a revenue surplus for 1986 of \$3.079 million.

The Board authorized the recovery in rates of SNG Premium Account No. 3, but found its size to be excessive because Union had failed in the proper management of the account. As a result, the Board disallowed all interest accumulated in Account No. 3 from its inception, which the Board estimated to be \$2.6 million. The Board ordered Union to amortize \$3.4 million of the account in fiscal 1986. This had the result of reducing the found revenue surplus to a revenue deficiency of \$321,000, which sum was deemed not significant enough to warrant a change in rates for fiscal 1986.

The Board did not authorize Union to collect in rates any of the amounts which had accumulated in Premium Account No. 4.

The table shows the key financial figures in Union's final submission and the Board's subsequent decision. The Board's decision for the 1985 test year is shown for comparison.

	EBRO 397 Previous Decision Apr. 24/84	EBRO 405-1 Final Union Submission	EBRO 405-1 New Board Decision Oct. 28/85
TEST YEAR ENDING MARCH 31			
	1985	1986	1986
Rate Base (\$000's)	830,281	884,089	880,392
Utility Income (\$000's)	105,503	112,593	114,817
Indicated Rate of Return on Rate Base	12.71%	12.74%	13.04%
Cost of Capital			
Long-term Debt	12.01%	12.47%	12.47%
Short-term Debt	10.50%	9.30%	9.30%
Preference Shares	10.05%	10.12%	10.12%
Common Equity	15.60%	15.60%	15.60%
Allowed Rate of Return on Rate Base	12.75%	12.75%(1)	12.875%
Revenue Deficiency (\$000's)	731	3,669(1)	321

Note: (1) The rate of return on rate base allowed in EBRO 397 was used in this calculation.

During the course of the EBRO 405-2 proceedings, Union applied for an interim rate decrease effective November 1, 1985, to reflect accumulated cost of gas reductions resulting from various changes in taxes, subsidies and gas prices. Union also proposed to refund to customers the cost of gas savings that had accrued up to and including October 31, 1985. In an interim order dated December 24, 1985, the Board approved Union's proposal.

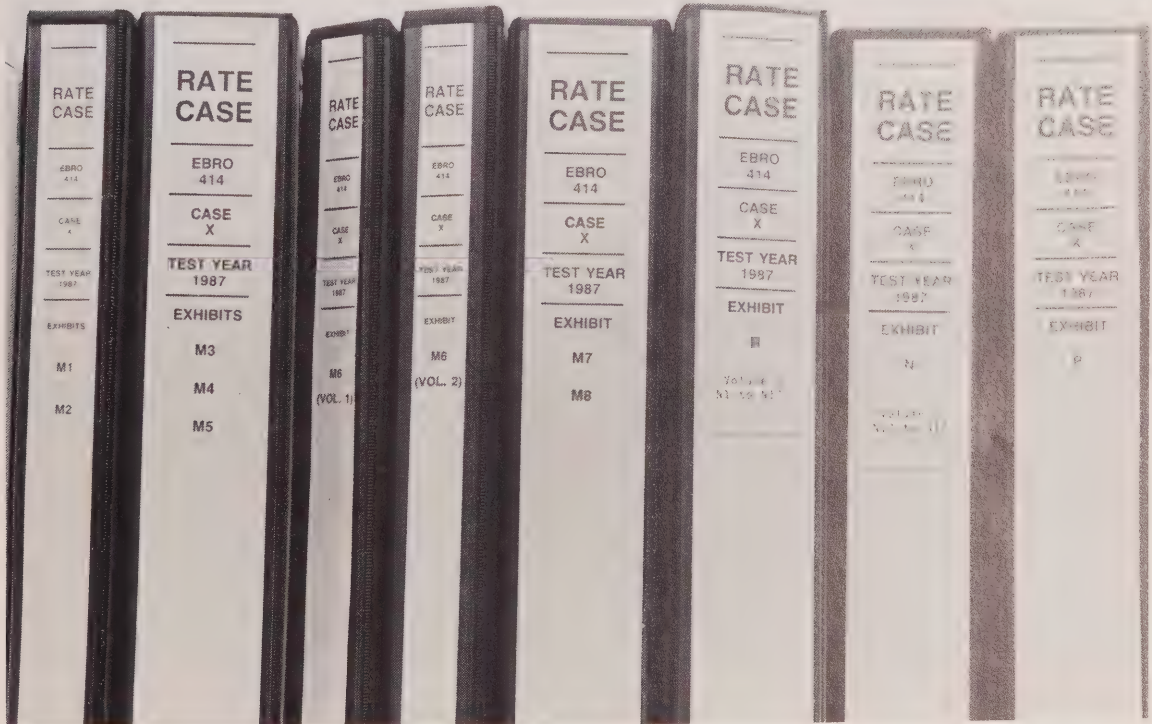
EBRO 407: NATURAL RESOURCE GAS LIMITED (NRG)

NRG is a relatively small gas distribution utility serving approximately 1800 customers in Aylmer and surrounding communities. NRG purchases its natural gas from Union and a number of local producers.

The rate application was filed in March, 1985. Some months elapsed before the filing of supporting material for the main application, and the Board dealt with a number of interim rate applications including a \$243,000 increase in revenues in November, 1985, and \$157,000 in January, 1985. The question of the cost of liability insurance premiums prompted considerable discussion during the proceedings. The Board's final decision was issued on April 18, 1986.

The table shows the key elements of NRG's submission as well as the Board's decision.

	EBRO 393 Previous Board Decision Oct. 19/84	EBRO 407 Final NRG Submission	EBRO 407-A New Board Decision Apr. 18/84
TEST YEAR ENDING SEPTEMBER 30			
	1984	1986	1986
Rate Base (\$000's)	1,620	2,540	2,438
Utility Income (\$000's)	188	131	174
Indicated Rate of Return on Rate Base	11.6%	5.16%	7.12%
Cost of Capital Debt	13.77%	12.50%	12.75%
Preference Shares	9.00%	9.00%	9.00%
Common Equity	16.25%	16.50%	15.80%
Allowed/Requested Rate of Return on Rate Base	13.93%	13.61%	13.20%
Revenue Deficiency (\$000's)	77.7	155	314



EBRO 408: NORTHERN AND CENTRAL GAS LIMITED (NORTHERN)

Northern (whose name was officially changed to ICG Utilities (Ontario) Ltd. effective May 5, 1986) serves approximately 150,000 customers in northwestern, northern and eastern Ontario. It distributes gas to more than 100 communities in an area extending from Kenora to points 200 miles along the shores of Lake Ontario and the St. Lawrence River.

By application dated July 24, 1985, Northern requested rate increases for all customers effective January 1, 1986, in order to recover a projected deficiency for its 1986 test year of \$14,038,900. The hearing was held in October and November 1985. The Board issued interim decisions on January 15, 1986, and a final decision on May 30, 1986.

The table shows the key financial elements of Northern's final submission and the Board's decision. The Board's decision for the 1985 test year is shown for comparison.

	EBRO 399 Previous Board Decision	EBRO 408 Final Northern Submission	EBRO 408 New Board Decision May 30/86
TEST YEAR ENDING			
	1985	1986	1986
Rate Base (\$000's)	308,137.3	375,370.7	375,370.7
Utility Income (\$000's)	37,953.9	42,767.5	44,091.4
Indicated Rate of Return on Rate Base	12.32%	11.39%	11.75%
Cost of Capital			
Long-term Debt	12.86%	12.45%	10.25%
Short-term Debt	N.A.	N.A.	12.43%
Preference Shares	6.28%	6.56%	6.59%
Accumulated Tax Deferrals	3.00%	3.00%	0.00%
Common Equity	15.75%	16.00%	15.00%
Allowed/Requested Return on Rate Base	13.23%	13.14%	12.74%
Revenue Deficiency (\$000's)	5,722.5	14,038.9	7,957.5

Northern proposed major structural design changes to all of its rate classes. This aspect of its application, however, was deferred until the next major rate case owing mainly to the uncertainty over the future impact of probable deregulation of Northern's gas supply costs.

On December 11, 1985, Northern filed an application for interim rate reductions effective January 1, 1986, to account for accumulated changes in its gas purchase costs and taxes.

As well, Northern proposed to refund, by means of a lump sum credit, the net cost savings that had accrued to December 31, 1985. In its decision (EBRO 408-1-1) dated January 15, 1986, the Board approved both the proposed refund and the rate decrease effective January 1, 1986.

In a further application dated December 11, 1985, Northern requested an interim order for rate relief effective January 1, 1986, pending final disposition of the main case.

The Board issued interim reasons for decision (EBRO 408-1-2) on January 15, 1986, allowing Northern to implement interim rate increases to recover additional revenues of \$6,500,000 through a uniform rate increase to all its customers effective January 1, 1986.

The effect of these two interim rate changes were netted so that customers only experienced one rate change (an increase for some and a decrease for others) effective January 1, 1986. The Board, in its final decision, then found an additional deficiency of \$1,457,500 effective April 21, 1986. This additional deficiency was to be computed and recovered in the same manner as that used for the January 1, 1986, interim revenue deficiency and was to be effective on all gas consumed on or after April 21, 1986.

EBRO 409: KIDD CREEK MINES LTD. (KIDD CREEK)

Kidd Creek, located in Timmins, is a large volume industrial customer of Northern & Central Gas Corporation Limited (Northern).

On or about April 7, 1978, Northern and Texasgulf Canada Ltd. (Kidd Creek's predecessor) entered into a five-year contract to supply gas at Texasgulf's mine site under Northern's Rate 302 (now 308). The contract was to continue thereafter unless terminated, in writing, by either party with six-months prior notice. Prior to the expiry of the initial five-year term, Kidd Creek requested Northern to serve it under negotiable Rate 320, effective November 1, 1983. Northern refused, saying Kidd Creek failed to meet its feasibility criteria for service under Rate 320.

Kidd Creek filed an application dated June 4, 1985, requesting that the Board issue an Order, pursuant to Sections 15 and 19 of the Ontario Energy Board Act, fixing Rate 320 as the rate at which Northern must sell gas to Kidd Creek at its mine site. In addition Kidd Creek requested that the Board order a refund of all amounts overpaid since November 1, 1983.

The Board heard the application commencing October 21, 1985, and issued its Reasons for Decision on April 21, 1986. In those reasons the Board found that the Rate 320 schedules had neither expressly nor implicitly ever included a feasibility test for access to the rate and, further, Northern had no right to impose conditions beyond those already contained in the applicability and eligibility clauses of the schedule without prior approval of the Board. As a consequence, the Board found that Kidd Creek had been improperly excluded from service under Rate 320 since November 1, 1983, and had, therefore, overpaid Northern since that date.

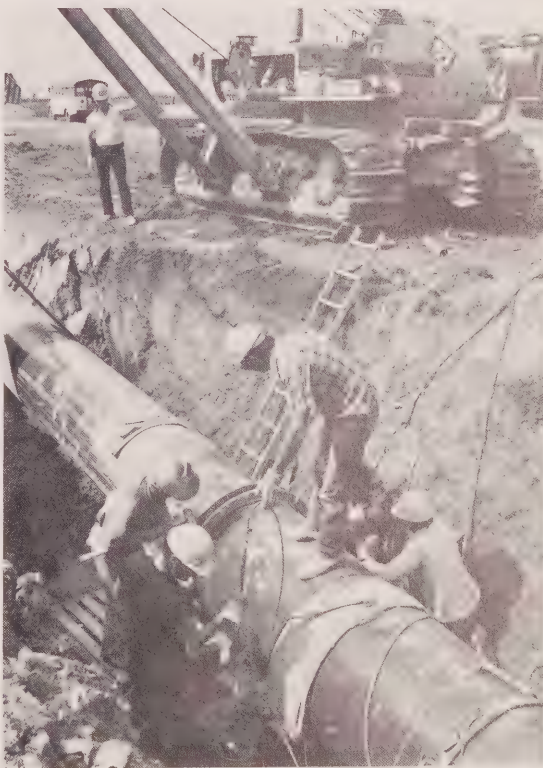
Northern was ordered to institute Kidd Creek as a Rate 320 customer and refund all amounts overpaid.

EBRO 410, 411, 412: CONTRACT CARRIAGE RATES

To make the new market-oriented arrangements contained in the Agreement on Natural Gas Markets and Prices available to end-users in Ontario, the Board approved interim contract carriage arrangements on Ontario distribution systems. In December 1985, the Board called hearings on its own motion to consider interim contract carriage arrangements for Consumers',

Union and Northern. At the same time the Board ordered that the three hearings be combined to consider elements common to the three distributors.

The hearing commenced on January 27, 1986, and continued for thirteen days concluding on February 12, 1986. The Board issued its decision, dated April 4, 1986, in which it supported the availability of the new market-oriented gas purchase arrangements for the interim period. Rate schedules, including terms and conditions were determined for such arrangements, but the Board found that approval of each specific contract would be required. The Board also noted its intention to hold another hearing later in the year to hear and determine matters relating to permanent contract carriage arrangements in Ontario.



MINI-GLOSSARY

Argument:

The final step in a hearing, during which participants summarize their positions on various matters of concern based on the evidence adduced.

Board Order:

A legal document directing the implementation of a Board decision. An Order is binding on the indicated parties.

Board Recommendation:

Usually contained in a Board Report to a Minister or to the Lieutenant Governor in Council on Ontario Hydro or some other energy-related matter. Such recommendations are not binding.

Bulk Power Rates:

Wholesale electricity rates to municipalities and certain industrial customers of Ontario Hydro having an average annual power demand of 5,000 kilowatts or more.

Buy/Sell Agreement:

Arrangement whereby an end-user purchases gas from a producer and then sells it to the local distribution utility who comingles that gas with other supplies. The end-user then buys gas from the local utility in the usual manner. The difference between the price paid to the producer and the price received from the local utility minus any transportation costs accrues to the end-user.

CMP:

Competitive Marketing Program: a discount program offered by producers selling system gas to meet competitive situations by allowing the end-user/distribution utility to negotiate a reduced price that is then passed from the producers through TransCanada and the local utility to the end-user.

Commodity Charge:

The variable component of pipeline transportation tolls or gas sales rates designed to recover variable costs of providing service.

Contract Carriage:

Transportation service provided for the transport of gas not owned by the transporting pipeline company. See also T-SERVICE.

Demand Charge:

The fixed component of pipeline transportation tolls or gas sales rates designed to recover fixed costs of providing service.

Designated Gas Storage Area:

A land area containing geological formations into which the Board may authorize a person to inject, store, and remove gas. Injection of gas for storage into any geological formation outside of a designated gas storage area is prohibited under section 20 of the Ontario Energy Board Act.

Direct Sales:

Natural gas supply purchase arrangements transacted between producers and end-users at negotiated prices for which pipeline transportation arrangements must then be negotiated separately with TransCanada and the local distribution utility.

Gigajoule:

A measure of energy content in fuel; a typical residential consumer of natural gas might use about 130 gigajoule(GJ) per year for household heating. (One GJ = approximately .95 Mcf. of natural gas.)

Interrogatories:

Written requests for the supply of additional information or clarification of information already received.

Intervention:

Notice of intent to participate in hearings; stating the interest in the proceeding. The person or group is called an intervenor.

Rate Base:

The amount that a utility has invested in assets that are used and useful in providing service minus accumulated depreciation plus an allowance for working capital and any other items which the Board may determine. Rate base may also be net of accumulated deferred income taxes.

Rate of Return on Common Equity:

Utility income, after tax, expressed as a percentage of the amount of common equity approved for inclusion in the utility's capital structure.

Rate of Return on Rate Base:

The amount which a utility is allowed to earn expressed as a percentage of the rate base. Note that this return is not guaranteed to the utility. Rather, this is the return that the company has a reasonable opportunity to earn given forecast conditions.

Revenue Requirement:

The allowed expenses of the utility and the allowed return on rate base are added together to obtain the total amount which the utility must recover through rates in order to cover its costs of providing service.

Test Year:

A period of twelve consecutive months (usually the company's next full fiscal year) for which projections of costs, revenues, expenses and rate base are studied by the Board in order to set rates which will allow the utility the opportunity to earn a reasonable rate of return.

T-Service:

The gas transportation service offered by a pipeline company or distributor to transport gas owned by others. See also CONTRACT CARRIAGE.

Copies of this and other Board publications may be purchased from the Ontario Government Bookstore, 880 Bay Street, Toronto; Telephone (416) 965-2054.

Out-of-town customers please contact
The Ministry of Government Services,
Publications Services Section,
5th Floor, 880 Bay Street,
Toronto, Ontario M7A 1N8.

Telephone: (416) 965-6015
Toll Free Long Distance: 1-800-268-7540
Northwestern Ontario: 0-Zenith 67200

Production:
Rae Graphics Limited

Photographs of Board and Offices:
Martin Sundland Photography

All Other Photographs:
The Consumers' Gas Company Ltd.



ONTARIO
ENERGY
BOARD

ANNUAL
REPORT

Fiscal Year Ended
March 31, 1987



CA20N
EB
A56



Cover Photograph:

*Pickering Park with Pickering Nuclear
Generating Station in background—an
illustration of nature undisturbed by the
need to produce energy.*

Copies of this and other Board publications
may be purchased from the Ontario Government
Bookstore, 880 Bay Street, Toronto;
Telephone (416) 965-2054.

Out-of-town customers please contact
The Ministry of Government Services,
Publications Services Section,
5th Floor, 880 Bay Street,
Toronto, Ontario M7A 1N8

Telephone: (416) 965-6015
Toll Free Long Distance: 1-800-268-7540
Northwestern Ontario: 0-Zenith 67200

Photograph of Board Members:
Gadi Hoz Photographics

Photographs of Board Hearings:
Craig Butler

***Photographs of Natural Gas Installations
and Users:***
Union Gas Limited

Hydro Photographs:
Ontario Hydro

TABLE OF CONTENTS

Letter from the Minister of Energy, The Honourable Vincent G. Kerrio	3
Message from the Chairman, Robert W. Macaulay	5
Introduction: Natural Gas and Electricity in Ontario	8
Natural Gas Company Statistics and Map	9
The Ontario Energy Board: Its Role and Responsibilities	10
Activity Review	13
Selected Case Summaries	16
Cost Awards to Intervenors	26
Appendix I—The Public Hearing Process	27
Appendix II—Board Organization	29
Appendix III—Organization Structure	30
Appendix IV—Glossary of Terms	31



Energy
Ontario

Minister

Ministry
of
Energy

56 Wellesley St. West
12th Floor
Toronto, Ontario
M7A 2B7
416/965-4286
Telex 06217880

The Honourable Lincoln M. Alexander
Lieutenant Governor of the
Province of Ontario

I hereby submit the annual report of the Ontario Energy Board. It reviews the events and activities of the fiscal year 1986-87.

Respectfully submitted,

A handwritten signature in cursive script, reading "Vincent G. Kerrio".

Vincent G. Kerrio
Minister of Energy

MESSAGE FROM THE CHAIRMAN

The past fiscal year has been one of the most dynamic in the history of the natural gas industry in Ontario. Decisions issued by the Ontario Energy Board in this year may well set the pattern for the industry for the next decade, and perhaps for decades to come.

There have been many positive developments at the Board in 1986-87. I am pleased to report that in several areas we have strengthened our resources and expanded our lines of communication to include a range of organizations and information networks.

A regulatory agency in the energy field today deals with extremely complex and technical matters. Thus, individuals of the highest calibre, with many years of experience related to the energy industry, are needed. Our Board is fortunate in drawing such individuals from universities, industry and government.

Because we demand the best, the recruitment process is rigorous. In these efforts and others, we are assisted by the Ontario government. While I could never mention all the people who directly and indirectly facilitate the smooth operation of the Board, I would be remiss if I did not acknowledge the support and co-operation we have received from the Minister and Deputy Minister of Energy during the past fiscal year.

This year there has been a particularly strong emphasis on strengthening Board resources and research staff, and in ensuring that there is continuing exposure to the latest developments in the industry.

Extensive information-sharing programs have been developed, both formal and informal. A visiting speaker series provides seminars on a variety of subjects. We have also established information networks with officials in other provinces, the National Energy Board, the Ministry of Energy, Mines and Resources for Canada and key U.S. states. In this way the Board is informed of developments as they occur and we are able to provide information on our own activities.

We have developed a special relationship with Ontario universities and are now working on establishing some joint funding of theses by selected PhD students across the province. This will ensure that important background research essential to the regulation of public utilities will be performed. We engage students for limited periods of time so that they acquire on-the-job experience. As I perceive it, this Board has a duty to contribute to the education and training of professionals in this field, since we may later benefit from their expertise and understanding of our role.

In this respect, a program is also being developed to provide for exchanges of personnel between the Board and a number of professions such as law, engineering and accounting.

The Ontario Energy Board was one of the founding members of the Council of Canadian Administrative Tribunals (CCAT). I am pleased to report that this year's second annual conference was a success, with increased attendance from boards, commissions and tribunals located throughout Canada at both the federal and provincial levels. These conferences provide a forum for an exchange of ideas and experiences of those involved on a day-to-day basis with administrative law at the decision-making level, and create an opportunity for members to meet on an informal basis in an educational setting.

Our commitment to exchanging information has necessitated some travelling during the year, particularly to the producing provinces. We felt it was essential to communicate the basis of our decisions to those affected, and to learn first hand about the experience of the producing provinces under the Agreement on Natural Gas Markets and Prices. Now, more than ever in this period of change, it is important to keep the lines of communication open.

For this reason, a newsletter is planned for the next fiscal year. To be issued on a regular basis, it will explain how we operate, discuss major events and developments in the industry, and review recent decisions and pending hearings.

The year of transition following the Agreement on Natural Gas Markets and Prices ended in November, 1986. This transition year and the subsequent months have seen a gradual movement to more market-oriented pricing and marketing. While generally held to be a desirable goal, this has led to considerable uncertainty for all segments of the industry, from producer to consumer.

Distributors have retained their monopoly over the transportation of natural gas; however, they no longer have a monopoly over the sale to end-users.

During the year the Board moved quickly to implement the new policies stemming from the Agreement, and through its deliberations and decisions, to ensure those policies were put in place within the context of current legislation. It is perhaps not surprising that some Board decisions were controversial ones.

In considering the role of the Ontario Energy Board, it is important to be aware of the origins of utility regulation. Early in this century, utility companies realized that the costly installations and facilities required for gas delivery made competition prohibitively expensive. Smaller companies merged into larger entities to assume control over a designated area through franchise agreements reached with local municipalities. In effect, natural monopolies came into being. As the industry grew and expanded, it became obvious that these monopolies needed to be scrutinized by an impartial body to ensure that the public interest was observed and protected.

This is still the function of the Ontario Energy Board: a Board hearing is a fair, effective, and impartial forum at which members of the public can air their views and concerns.

When the environment in which the industry operates changes dramatically, as it has during this past year, the regulatory process must be able to meet the new challenges. Board decisions will sometimes be controversial or contentious. Our responsibility is to protect the public interest within the context of current national and provincial policies and legislation. It must be recognized that this may occasionally cause some dislocation in the industry, at least in the short term. Equally, the regulatory process must change to accommodate the market and other forces that affect it.

Regulation need not, however, be adversarial. The process must rest in part on trust. The objective of both regulators and regulated should be the efficient functioning of the system. Mutual respect is particularly important when the changing environment places excessive strain on all parties in the system.

My concept of the policy changes that have affected gas marketing and pricing in the past year is that they have changed the nature and direction of regulation, but have not removed the need for it.

I believe that in the next few years, industry and relevant government bodies will resolve the question of separating gas marketing from gas transportation. The role of brokers in marketing gas will be dealt with. Questions to be considered include whether new legislation should allow them total access to the Ontario market, or whether and how their involvement should be restricted.

When we examine this, we will examine whether residential customers as well as industrial and commercial customers should be served by brokers, and if so, the terms and conditions that should apply. Decisions will also need to be made as to whether some segments of the market need special protection; and if so, whether this is an appropriate responsibility for a regulatory agency.

Obviously, these questions cannot be answered solely by a consuming province such as Ontario. Energy regulation and the direction it will take have nation-wide implications, with consuming provinces benefitting from lower costs and producing provinces expressing some reservations about the speed and the extent of changes in regulation resulting from the 1985 Agreement on Natural Gas Markets and Prices. In any case, the Board will endeavour to respond to changes as they occur—and if there is one element of certainty in this industry, it is that there are more changes ahead.

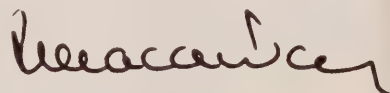
During the year in review the Board issued several major decisions that will have long term implications. Selected decisions are discussed in detail in the pages of this report.

While regulation of the natural gas industry captured much public attention and occupied much of the Board's time during the past year, the Board's other major responsibility, to review Ontario Hydro's rate proposals and make recommendations was not in any way lessened. A summary of our findings in 1986-87 is included in this report.

In all, some 1000 applications were processed during the year, many without formal hearings. Throughout the year, in all our activities and deliberations, we relied heavily on the professionalism and dedication of our staff. On behalf of all Board members, I wish to thank the staff for its outstanding service in a particularly demanding and challenging year.

Several members of the Board completed their terms or resigned during the year. During their terms of service they made many valuable contributions to the regulatory process in this province. We offer our sincere thanks and best wishes to John Shurie, Donald Thornton, Patrice Boisseau, Richard Perdue and Marie Rounding.

Looking ahead, I am confident that as we continue to explore the ramifications of the changes taking place, we will see positive developments in the pricing and marketing of gas, some clarification of complexities, and a new understanding and acceptance of the responsibilities of both the regulators and the regulated in this vital industry.



Robert W. Macaulay, Q.C.
Chairman

ONTARIO ENERGY BOARD MEMBERS



Standing, left to right:

*Malcolm Jackson,
John K. Shurie,
Mervin A. Daub,
Joseph A. Dekort,
Donald H. Thornton,
Patrice E. Boisseau,
Richard R. Perdue
Denis A. Dean,
Carl A. Wolf*

Seated, left to right:

*John C. Butler,
Marie C. Rounding,
Robert W. Macaulay,
Candace U. Craddock,
Orville J. Cook*

INTRODUCTION: NATURAL GAS AND ELECTRICITY IN ONTARIO

Ontario relies heavily on natural gas as an energy source and as a feedstock, primarily in the production of chemicals. Natural gas is the major fuel for all sectors of the economy except transportation, and it is the primary fuel for space and water heating in homes and institutional and commercial buildings.

Ontario's use of gas is the largest of the consuming provinces, accounting for approximately 33 percent of the total demand for Canadian natural gas. Because of the dependence on this source of energy, its impact on industrial competitiveness, and the limited capacity to switch to alternate fuels, the cost and availability of natural gas are vital concerns.

Electricity provides approximately 17 percent of the total energy consumed in the province, and its use is growing. In the past ten years the consumption of electricity has increased by nearly 40 percent. Thus electric power planning for the future is crucial. The Ontario Energy Board has a role to play in this process.

The Ontario Energy Board regulates the natural gas industry in a variety of ways including rate setting, approval of franchise agreements and authorizing the installation of transmission lines. The Board also acts as an advisor to the Minister of Energy on matters relating to the natural gas industry as well as Ontario Hydro. The Board makes recommendations with respect to any proposed Hydro rate increases. Several of these responsibilities are described later in greater detail.

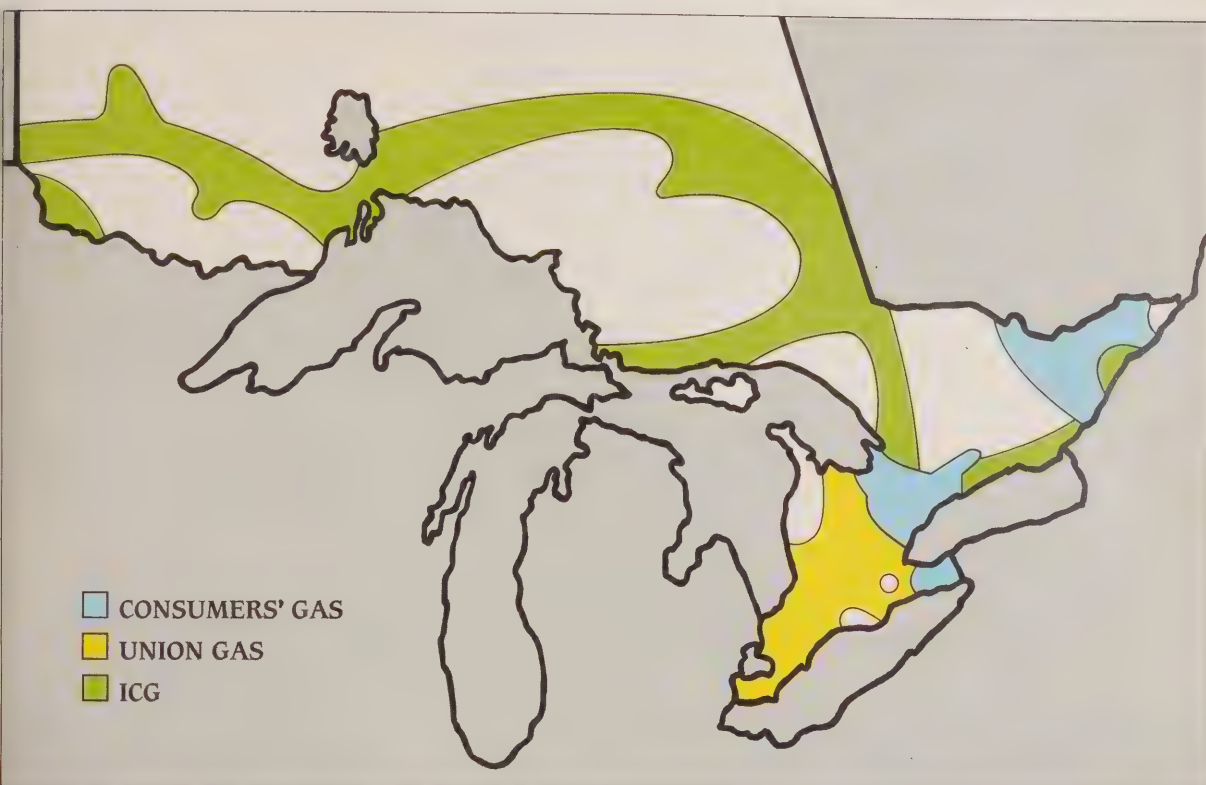


A hydro transmission line is constructed in northern Ontario.



Laying pipeline for natural gas near Cambridge crossing the Grand River.

NATURAL GAS DISTRIBUTION IN ONTARIO



Highlights of Three Major Gas Utilities under Board Jurisdiction

Firm	Year Ending	Assets	Average Rate Base	Gas Sales Revenues	Average Residential Bill	Number of Customers
Union	(Mar. 31/87)	\$1,355,942,000	\$ 888,086,000	\$1,377,366,000*	\$831.04	534,750
Consumers' Gas	(Sept. 30/86)	\$1,725,830,000	\$1,294,100,000	\$1,638,300,000	\$846.71	880,994
ICG Utilities (Ontario) Ltd (Northern and Central)	(Dec. 31/86)	\$ 459,352,600	\$ 370,116,000	\$ 465,305,100*	Western \$891.11 Northern \$909.42 Eastern \$829.09	154,312
TOTAL		\$3,541,124,600	\$2,552,302,000	\$3,480,971,100		1,570,056

*Includes revenue from storage and or transportation of gas for others.

THE ONTARIO ENERGY BOARD—ITS ROLE AND RESPONSIBILITIES

Rate-setting—Natural gas

Each natural gas utility sells and transports gas in franchised areas of the province. Competition in the sale of gas now exists both through the option to purchase gas directly and from suppliers of alternative energy sources. Since the transportation of gas involves an extensive network of pipelines and storage facilities, a monopoly over transportation optimizes efficiency and avoids duplication and the attendant cost increases that would result.

In Ontario, gas must be sold under a Board-approved rate Order. Gas distributors are required by legislation to submit rate proposals to the Board for review and approval, which usually takes place on an annual basis.

Rates vary among residential and all other customers and among classes of commercial and industrial customers. Rate setting is not an exact science, but it does attempt to reflect the costs imposed on the system by the varying demands of different classes of customers. For example, the demand among residential consumers using natural gas as a heating and cooking fuel depends on the weather and the time of day. On a per unit basis, it is more costly to provide service to residential users than to industry, which uses relatively large amounts of gas at a more consistent level.

Setting rates involves striking a balance between the prices to be paid by customers and a fair rate of return for shareholders.

Rates are set for each utility following public hearings. In fixing rates for the future, the Board considers past, present and projected expenses as well as current and forecast economic conditions and trends, and the earnings expectations of those who provide the capital required to operate the utility.

During rate hearings the OEB also considers the quality of service provided to customers, including matters such as safety and reliability, in order to ensure that service is commensurate with the rates charged.

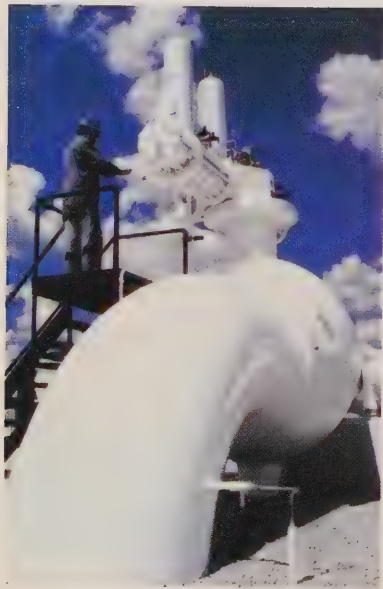
Interim Rate Adjustments

Where significant changes in a utility's costs or revenues have occurred or will occur that will cause the financial integrity of a utility to be at risk, the Board may grant interim rate relief. This is usually done within the framework of a rates application and is subject to refund or other adjustment after the rates application has been completed.

Pipeline Construction

The Ontario Pipeline Co-ordination Committee (OPCC) is an interministerial committee concerned with the environmental impact of pipeline construction. Since 1980 the OPCC has reviewed over 60 projects involving 1300 km of pipeline construction. Other system facilities, such as consumers' Gas Liquid natural gas plants are also reviewed by the OPCC.

The OPCC is chaired by a staff person from the Ontario Energy Board and includes representatives from the Ministries of Agriculture and Food, Energy, Environment, Consumer and Commercial Relations, Natural Resources, Citizenship and Culture, Municipal Affairs, Housing, Transportation and Communications and other regional agencies as required, such as the Niagara Escarpment Commission. The natural gas utilities consult with these agencies in the early stages of their planning.



Union Gas compressor plant, Dawn, Ontario.

The objective of the OPCC is to avoid any long-term negative impact on the environment and to minimize the short-term impact during construction. This is achieved through the review of project proposals, including route or site alternatives, and resolution of issues before formal application for leave to construct has been filed with the Board.

Certificates of Public Convenience and Necessity

These certificates give permission to construct gas works and to supply gas to municipalities.



Aquatic environment testing. The Energy Board oversees the Ontario Pipeline Co-ordination Committee, which ensures that the environment is not threatened by natural gas installations.

Franchise Agreements

Each municipality must authorize the supply of gas and the construction of distribution works in the municipality through a by-law. Negotiations regarding terms and conditions are held between the utility company and the municipality involved. The terms and conditions of the franchise agreements reached must then be approved by the Board.

Many of the existing agreements date back 30 years or more, and most have expired and have been renegotiated. Where circumstances have changed substantially since the time the original agreement was made, the renegotiation can be a lengthy and complex process.

Natural Gas Storage Areas

A vital link in the natural gas distribution system in Ontario is the availability of storage for gas in depleted gas wells in southwestern Ontario. These storage areas are used by transmitters and distributors to meet fluctuating demand and to draw on in case of emergency.

Gas is normally injected into storage during the summer months when demand is low, to be withdrawn in high consumption periods during the winter. This load balancing function makes it possible for the transmission system from western Canada to operate in a highly efficient manner.

Gas may not be injected into any geological formation unless it is a designated gas storage area. The OEB approves a formation for storage and authorizes the injection, storage and removal of natural gas within such storage areas.

Monitoring Performance

In addition to the information filed in support of rate applications, the Board receives regular information from natural gas utilities regarding financial operations and performance. Where underearning or overearning occurs, the Energy Returns Officer, a staff member of the OEB, may conduct a special audit. The Board may, on its own motion, require a utility to appear before it to explain either excess earnings or underearnings.



A natural gas storage wellhead. Storage of natural gas is also regulated by the Ontario Energy Board.

Accounting Procedures

Natural gas utilities must conform to a uniform system of accounts as prescribed by the OEB. Amendments to the system were initiated in fiscal 1986-87. No change in accounting practices may take place without the Board's approval.

Changes in Ownership

A utility wishing to sell its assets or amalgamate with another utility and any individual who wishes to acquire shares of a utility, such that the individual will hold more than 20 percent of any class of shares, requires the leave of the Lieutenant Governor in Council. The Board may recommend exemption from a hearing or may hold a hearing and submit its report and opinion to the Lieutenant Governor in Council.

Legislation

In addition to the *Ontario Energy Board Act*, five other legislative acts give the OEB jurisdiction:

- the *Municipal Franchises Act*;
- the *Petroleum Resources Act*;
- the *Public Utilities Act*;
- the *Assessment Act*; and
- the *Toronto District Heating Corporation Act*.

The nature of public utilities changes in keeping with the changes in the economic and social environment in which they operate. As such, it is appropriate for the Board to review legislation relating to public utilities and, if necessary, propose amendments.

Generic Hearings and References

A generic hearing may be held on the Board's own initiative, in response to an emerging trend in the industry or to an area of growing interest or concern. It deals with a subject in a broader context than issue-specific hearings.

An energy-related matter may also be referred to the Board by the Lieutenant Governor in Council, the Minister of Energy or the Minister of Natural Resources for review at a public hearing.

Recent examples of generic hearings and references include the T-rate/bypass or contract carriage decision, the review of franchise agreements, system expansion and liquefied natural gas storage facilities proposed by Consumers' Gas. These cases are reviewed in detail later in this report.

Ontario Hydro

Ontario Hydro's bulk power rates are set by Hydro's own board of directors. However, a Hydro rate proposal is referred to the OEB by the Minister of Energy, along with full technical information and financial data, and a public hearing is held. The Board submits a report with recommendations to the Minister of Energy and to the Chairman of Ontario Hydro. The recommendations are not binding on Ontario Hydro or its board of directors, which has the responsibility for fixing firm rates.



Laying plastic pipe for the transmission of natural gas.

ACTIVITY REVIEW

The following pages contain lists of activities carried out by the Board between April 1, 1986, and March 31, 1987, as well as reviews of selected cases.

Cases may have three stages: hearing, Report or Reasons for Decision, and, where appropriate, Board Orders.

Cases included in the following lists may have only proceeded through one stage of the hearing process; some cases bridge from one fiscal year to the next before a Decision or Report is issued, depending on the timing of hearings.

CMP – Board Interim Orders

File Number	Originator/Applicant	Matter
EBRO 413	Union	243 applications including extensions and vary orders
EBRO 415	Northern & Central/ICG	233 applications including vary orders
EBRO 417	Consumers'	342 applications including extensions and vary orders
EBRO 426	Inter-City Gas	2 one application and one vary order

T-rate Applications

EBRO 410	Consumers'	78 applications including extensions and vary orders
EBRO 411	Northern & Central/ICG	4 applications including vary orders
EBRO 412	Union	23 applications including extensions and vary orders

Buy/Sell Arrangements

EBRO 424	Union	27 applications including extensions and vary orders
EBRO 432	Consumers'	13 applications

References from the Lieutenant Governor in Council

EBRLG 28A	Unicorp	Rescind or vary EBRLG 28 Cost Order
EBRLG 29	Lieutenant Governor in Council	Reference Re: LNG
EBRLG 30	Gulf Canada	Acquisition of Consumers' Gas Shares
EBRLG 31	Inter-City Gas	Transfer of Assets

Reports to the Minister

EBRM 82	Tecumseh	Permit to Drill Kim — Col #51 Moore 18 — VII
EBRM 83	Union	Permit to Drill Bickford, Terminus, Waubuno, Dawn, Payne
EBRM 84	Petrosar	Permit to Inject Moore 1-23-IX
EBRM 85	Union	Permit to Drill Bickford, Terminus, Dawn (47-49)

Reference from the Minister of Energy Regarding Ontario Hydro

HR 15	Ontario Hydro	Bulk Power Rates
-------	---------------	------------------

Uniform Accounting Orders

UA 60	Union	Exclusion of Surtax
UA 61	Union	Tools and Work Equipment Increase
UA 62	Union	Gas Costs
UA 63	Consumers'	Gas Costs
UA 64	ICG	Gas Costs
UA 65	Union	Yankee International
UA 66	Consumers'	Certain Gas Costs

File Number	Originator/Applicant	Matter
Pipeline Exemptions		
PL 50	Union	Exemption: Owen Sound Replacement
PL 51	ICG	Exemption: Iron Bridge 60.3 Line
PL 52	Union	Exemption: Ingersoll
PL 53	Union	Exemption: Amherstburg Line Replacement
Certificates of Public Convenience and Necessity		
EBC 139	Northern & Central Consumers'	Cert: Township of Oro
EBC 171	Consumers'	Cert: Village of Chalk River
EBC 172	Consumers'	Cert: Town of Deep River
EBC 173	Consumers'	Cert: Townships of Rolph, Buchanan, McKay & Wylie
EBC 174	ICG	Cert: Town of Thessalon
EBC 175	ICG	Cert: Town of Bruce Mines
EBC 176	ICG	Cert: Township of Hagar
EBC 177	Northridge Petroleum	Cert: All Ontario Municipalities
EBC 178	Actor	Cert: All Ontario Municipalities
EBC 179	Brenda Marketing	Cert: All Ontario Municipalities
EBC 180	Consoligas Management Limited	Cert: All Ontario Municipalities
Franchise Approvals		
EBA 435	Northern & Central	Franchise: Township of Oro
EBA 472	OEB	Rehearing of Lambton and Blenheim
EBA 473A	Consumers'	Extension: Town of Shelburne
EBA 474A	Consumers'	Extension: Town of Caledon
EBA 475A	Consumers'	Extension: Township of Innisfil
EBA 476A	Consumers'	Extension: Township of Amaranth
EBA 477	Consumers'	Franchise: Township of Whitby
EBA 477A	Consumers'	Extension: Township of Whitby
EBA 478	Consumers'	Franchise: Townships of Rolph, Buchanan, McKay & Wylie
EBA 479	Consumers'	Franchise: Township of Mulmur
EBA 479A	Consumers'	Extension: Township of Mulmur
EBA 480	ICG	Franchise: Town of Thessalon
EBA 481	ICG	Franchise: Town of Bruce Mines
EBA 482	ICG	Franchise: Township of Plummer Additional
EBA 483	ICG	Franchise: Township of Johnson
EBA 484	ICG	Franchise: Town of Cobourg
Pipeline Construction and Expropriations		
EBLO 214	Northern & Central	Leave: North Bay - Sudbury Loop
EBLO 215	Consumers'	Leave: NPS 36 - Parkway Belt West

File Number	Originator/Applicant	Matter
EBLO 216	Consumers'	Leave: Deep River & Chalk River
EBLO 220	ICG	Leave: 4 North Shore Lines
EBLO 222	Union	Leave: Toyota Transmission Pipeline
EBLO 215(1)	Consumers'	Val Velzen (CANCELLED)
EBLO 215(2)	Consumers'	Shypka (SETTLED)
Natural Gas Rate Reviews and Interim Rate Reviews		
EBRO 392-6	Wellandport	Interim: Liability Insurance Premium
EBRO 392-7	Wellandport	Request for extention of Interim Rates
EBRO 404-2	ICG	Interim Rates (Rio Algom, Denison Mines, Eldorado Nuclear)
EBRO 404-3	ICG	Interim Rates (Rio Algom, Denison Mines, Eldorado Nuclear)
EBRO 405-2	Union	Rates
EBRO 405-2A	Consumers'	Vary EBRO 405-2 (DISCONTINUED)
EBRO 405-3	Union	Rehearing of Rate to Petrosar
EBRO 407-A	NRG	Rates
EBRO 408	Northern & Central	Rates
EBRO 409	Kidd Creek	Rates
EBRO 410	Consumers'	T-Rates
EBRO 411	Northern & Central	T-Rates
EBRO 412	Union	T-Rates
EBRO 414	Consumers'	Rates
EBRO 414-1	Consumers'	Cost of Gas Reduction
EBRO 416	NRG	Rates
EBRO 418	Union	Rates
EBRO 418-A	Union	Vary Petrosar Order in EBRO 418
EBRO 418-B	Union	To Vary EBRO 418 Order
EBRO 419	Consumers'	To Vary or Rescind EBRO 405-2 (DISCONTINUED)
EBRO 420-1	Consumers'	CMP Rate TCPL – WGMIP
EBRO 421-1	ICG	WGMIP
EBRO 422-1	Union	WGMIP
EBRO 423-1	Union	Rates – Storage Contract with Gaz Metropolitan
EBRO 425-1	Inter-City Gas	WGMIP – Boise Cascade
EBRO 427-1	Union	Interim Storage Rate for Consumers' Gas
EBRO 428	CIL	Rate with Union
EBRO 429	Union	Cost of Gas Reduction
EBRO 430	ICG	Rates
EBRO 430-1	ICG	Cost of Gas Reduction
EBRO 430-1A	ICG	To Vary EBRO 430-1 Decision – Date Extension
EBRO 431	Union	Short Term Storage Agreement – Sulpetro

File Number	Originator/Applicant	Matter
EBRO 431-1	Union	Interim Short-Term Storage Rates - Sulpetro
EBRO 433-1	Union	Interim Transportation Rates "Interruptible and Reasonable Efforts"
EBRO 435	Cyanamid	Application for Special Rate

Other Energy Board Orders

EBO 123	Union	Designation of Lands East of Bickford Place
EBO 123A	Magder	To vary EBO 123 Report
EBO 125	OEB	Review of Franchises & Certificates
EBO 129	Union	Amendments to Storage Contracts — Kingston PUC
EBO 130	Gaiswinkler	To have Brett as Designated Manager of Gobles Pool
EBO 131	Union	Amendment Contract with Gaz Metropolitan
EBO 132	Union	Short Term Storage Agreement — Consumers'
EBO 133	Union	Short Term Storage Agreement — Sulpetro
EBO 134	OEB	System Expansion Review
EBO 135	Consumers'	Hillman Pool Unitization

E.B.R.L.G. 29: Reference to Review Proposed Liquefied Natural Gas (LNG) Storage Facilities

In April, 1985, Consumers' Gas announced a plan to construct an LNG storage facility in Haldimand Township to accommodate peak gas demands. The facility was proposed as a peak shaving plant to handle the company's peak temperature sensitive load by 1994.

The LNG plant was to be built on a 180 hectare site. The company proposed that the capacity of the storage tank would be 92,000 m³ (liquid) and the process facilities would be capable of supplying 8,500 10³m³ (gas) for the seven peak days anticipated in 1994. The anticipated cost of the project was approximately \$74 million.

On October 15, 1985, Consumers' applied to the Ontario Energy Board for leave to construct two pipelines to and from the proposed LNG facility. By Order-in-Council No. 327/86, dated January 30, 1986, the Board was required to hold a public hearing to examine certain aspects of the LNG facility.

The Order-in-Council required the OEB to examine:

- (a) the need for the Project;
- (b) the alternatives to the Project which will satisfy that need;
- (c) the safety considerations associated with the Project;
- (d) the advantages and disadvantages of the Project, the alternatives to the Project and the six candidate sites considered by the applicant, taking into account the physical, social, economic, and natural environment, including the effects on air, land and water; and
- (e) the economic feasibility of the Project.

Since Consumers' proposal aroused the interest of many residents and landowners in the vicinity of the site selected in Haldimand Township, the Board chose to hold the hearing in Cobourg, about 15 kilometers from the proposed site.

The Board issued its Report to the Lieutenant Governor in Council on December 12, 1986. The Report concluded that construction of the LNG facility, as proposed by Consumers', was not in the public interest.

The Board questioned the reliability of Consumers' forecasts of customer demand since the applicant had consistently overestimated peak day demand in the period examined during the hearing. The Board concluded that the need for the facility had not been adequately established.

Consumers' evidence at the hearing demonstrated that several alternatives to the LNG facility had been considered. The Board concluded that these alternatives were either too costly or would not meet Consumers' perceived need. However, the Board found Consumers' had not adequately explored demand management techniques as an alternative to constructing new facilities.

During the hearing, Union Gas Limited presented two alternatives which involve developing additional underground storage and pipeline facilities in southwestern Ontario as a means of meeting Consumers' forecast need.

The Board found that one of the Union proposals met Consumers' perceived need and offered greater advantages to the Ontario public as a whole than did the LNG facility. The Board found Union's proposal to be less costly in the long term and more flexible in that the project could be completed in stages and could economically serve both peak day demand and demand over a longer period of time. It was, therefore, a more viable and reliable alternative than the LNG facility.

While recommending that the Lieutenant Governor in Council not approve the LNG facility, the Report discussed other issues including safety, environmental impact, site selection and pipeline construction. The Board indicated that these matters should be further explored if its recommendations were not followed and the LNG project were allowed to go ahead.

Safety concerns had been raised by a number of participants during the hearing. Consumers' demonstrated that the technology exists to permit the construction and operation of the proposed LNG facility at an acceptable level of safety. However, the Board stated in its report that if the project were to be carried out, Consumers' should be required to ensure that proper safety features would be incorporated in its design and meticulous attention should be given to quality control to prevent any undue risk to the public.

The design of the storage tank selected by Consumers' was acceptable to the Board. However, the Board recommended that if the project proceeded, additional information regarding construction, operational safety, and inspection and evacuation procedures would be required.

E.B.R.L.G. 30: Gulf Canada Corporation Acquisition of Consumers' Gas

In April 1986, Gulf Canada Corporation acquired control of Hiram Walker Resources Ltd., and with it, 82.9 percent of the shares of The Consumers' Gas Company Ltd. Gulf proposed to transfer this holding in Consumers' to a new company and possibly to a second new company. Under section 26 of the *Ontario Energy Board Act*, Gulf was required to seek the permission of the Lieutenant Governor in Council. This permission was sought through an application to the Board.

The Board heard evidence on this matter during five hearing days from October 8 to 17, 1986. The evidence given pertained to various aspects of the public interest that could be affected by the proposed transaction.

The Board's report was submitted to the Lieutenant Governor in Council on November 17, 1986. It recommended that the proposed transfers be approved, subject to certain conditions. The major conditions, or undertakings, pertained to the independence of Consumers', affiliated and related party transactions and the maintenance of Consumers' financial integrity. The Board feels that these undertakings adequately protect the public interest.

E.B.L.O. 216: Application to Serve Deep River and Chalk River

Consumers' applied to the Board on April 14, 1986, for leave to construct gate stations and pipelines to supply the Village of Chalk River, the Town of Deep River and the Township of Rolph, Buchanan, Wylie and McKay, in the County of Renfrew. The hearing was held in Toronto on August 20, 1986.

In its Reasons for Decision dated September 5, 1986, the Board indicated that the public interest had not been fully addressed by the evidence and that the project did not pass Consumers' economic feasibility test. While the Board rejected Consumers' application, it noted that certain matters regarding system expansion, including the economic feasibility tests used by the local distribution companies, should be examined in a special hearing.

The Board further noted that important issues concerning system expansion to smaller communities should be considered and that these could best be addressed outside a specific application and that the Board would call a special hearing for this purpose in early 1987. The recommendations from the special hearing were expected to help determine whether new guidelines should be developed by the Board for "leave to construct" applications.

On January 9, 1987, the OEB issued Notice of a "Review by the Ontario Energy Board of the Expansion of the Natural Gas System in Ontario", under Board File E.B.O. 134. The procedure set out in the notice was designed to obtain input to the Board's review through written submissions in response to a paper developed by Board staff. Submissions were received from all major utilities and a two-day technical conference was held in April, 1987, to discuss the submissions. The Report will be reviewed in next year's annual report.

Test Year ending September 30

	1986	1987	1987
Rate Base (\$000's)	1,284,200	1,304,100	1,305,400
Utility Income (\$000's)	159,700	156,600	158,800
Indicated Rate of Return on Rate Base	12.44%	12.01%	12.16%
Cost of Capital			
Long term Debt	11.98%	12.00%	12.07%
Unfunded Debt	10.00%	10.13%	9.30%
Preference Shares	11.27%	11.26%	11.26%
Common Equity	15.00%	15.00%	14.00%
Allowed/Requested Return on Rate Base	12.59%	12.97%	12.58%
Gross Revenue Deficiency (\$000's)	4,200	26,400	11,500

**E.B.R.O. 414:
The Consumers' Gas
Company Ltd.**

Consumers' is Canada's largest natural gas distribution utility, serving about 850,000 residential, commercial and industrial customers in south, central and eastern Ontario, western Quebec and northern New York state. Consumers' annual gas deliveries in Ontario are approximately 9.0 10⁹m³.

By application dated March 12, 1986, Consumers' requested rate increases for all customers effective October 1, 1986, in order to recover a projected \$37.9 million gross revenue deficiency for its 1987 test year. The hearing began on June 5, 1986, and lasted seventeen days. The Board issued its decision on October 1, 1986.

During the course of the hearing, a number of modifications were made by Consumers' to its original submission, resulting in reductions to the claimed revenue deficiency. The following table shows the key financial elements of Consumers' final submission and the Board's decision. Data from the previous Board decision, which was for Consumers' 1986 test year, is shown for comparison.

**E.B.O. 125:
Municipal Franchise Agreements**

On May 21, 1986, the Ontario Energy Board issued a Report on Municipal Franchise Agreements for gas distribution based on a hearing held in November and December of 1985. The hearing had been called by the Board because of a growing conviction that municipal franchise agreements, many of which originated 30 years ago or more, needed to be reviewed by all parties involved—municipalities, gas distributors, gas consumers and the Board itself.

Municipal franchise agreements generally consist of two elements:

(1) the rights granted to the gas utility by the municipality to supply gas to the inhabitants and to use the municipal road allowances to install a pipeline system; and

(2) the responsibility of the gas utility to comply with municipal requirements in return for the right to occupy the roadway. While most franchise agreements originated in the years following 1957, when natural gas from western Canada was brought to Ontario, some agreements, particularly in southwestern Ontario (the franchise area held by Union Gas) date from the early 1900s.

As the Board report emphasized at the outset, "the most valuable consequence of the hearing... was the process of mutual education and understanding between the participants that developed... in the course of discussion of a number of major issues." The report encouraged these discussions to continue and urged all municipalities which have not already done so to create Utilities Co-ordinating Committees.

A major proposal of the report was the creation of a multi-party working committee, the Municipal Franchise Agreement (MFA) Committee, comprising four municipal representatives designated by the Association of Municipalities of Ontario, four representatives designated by the Ontario Natural Gas Association, including representatives from each of the three major gas utilities, and Board staff.

The sharing of costs of gas line relocations was a major issue at the hearing. The report noted that although actual costs to municipalities and utilities are not excessively high, the sharing of these costs is the cause of many disputes. There is a wide range of cost-sharing practices in use in Ontario, but the report does not recommend any of the existing formulae and does not approve of widespread reliance on the *Public Service Works on Highways Act*. The Board said it expects the MFA Committee to establish a new model formula which would eliminate the distinction between the cost of labour and other costs and identify an appropriate percentage range for the municipal share of total relocation costs.

Both municipalities and utilities would like to move towards greater province-wide standardization in municipal franchise agreements. However, there must be room for negotiation between parties, and sufficient flexibility to accommodate local conditions and circumstances. The major task of the MFA Committee is to draft a model agreement to which parties and the OEB can refer as new agreements and renewals come before the Board for approval. At year end, the MFA Committee was making significant progress. A report to the Board is expected in the new fiscal year.

E.B.R.O. 410, 411, 412: Contract Carriage Rates (T-Rates)

Following its Interim Decision of April 4, 1986, the Board, in July, 1986, called hearings on its own motions to examine contract carriage arrangements for Consumers', Union and ICG (formerly Northern and Central). The hearings were combined so that elements common to all three distributors could be considered.

The hearing took place between September and December of 1986.

During the hearing the Board heard evidence on the following major issues: bypass; brokers; unbundled rates; distance-based, postage stamp or value of service rates; group billing and multiple location billing; demand charges; T-rate criteria; diversions; security of supply; storage; variation accounts; separation of transportation services and marketing activities; affiliate transactions; and jurisdictional matters.

The bypass issue was heard first, and because of its significance and jurisdictional implications, separate Reasons for Decision were issued on December 12, 1986. The Board found "... that the Province of Ontario and this Board, as its delegate, has jurisdiction over bypass within Ontario... it is important to remove any uncertainty with respect to its jurisdiction and (the Board) will therefore state a case to the Divisional Court of the Supreme Court of Ontario." The Divisional Court heard this matter on March 17 and 18, 1987, rendering an oral decision confirming that the Board has jurisdiction.

The Board also stated that "a general policy opposing bypass is not in the public interest. The Board will consider each application for bypass on the basis of its individual merits."



Aluminum billet furnace, Chatham, Ontario (Daymond, A Division of Redpath Industries Ltd.). Natural gas is a source of energy for industries across Ontario.

Reasons for Decision on the remaining issues were issued on March 23, 1986. For the purposes of that Decision, the Board defined the core market as those volumes that are sold by the local distributing companies (LDCs), excluding buy-sell volumes. It also stated that anyone who wished to buy direct could do so.

The Board found that the supply of gas should be protected by the LDC, which should make any contractual arrangements necessary to ensure that gas will be available. It further stated that the responsibility for security of supply to the non-core market rests with the direct purchasers themselves.

In order to encourage market-responsive prices for natural gas, the Board found that at least three conditions should be met:

- All natural gas consumers must be free to choose their supplier of natural gas;
- Transportation service on TCPL's (Trans-Canada PipeLines) and the LDCs' systems must be provided to all gas consumers on equal terms; and
- Buyers must have access to sufficient information concerning market prices for gas.

The Board also found that brokers could assist in developing a competitive gas supply market in Ontario, provided they observe provincial legal requirements and that unbundled services are a necessary part of the movement toward a more competitive commodity market for natural gas. The Board directed the utilities to segregate the cost of gas from the cost of transportation and develop cost studies for transportation, storage, load-balancing and best efforts back-stopping services.

With respect to rate types, the Board found that postage stamp rates are appropriate but that the flexibility needed to compete with a credible bypass application may be provided through the recognition of value of service criteria or distance factors. The Board also found that groups should be permitted to be formed for the purpose of improving gas purchasing power. As well, the Board found that minimum volumes are not required for T-service.

The Board found that sales customers who change to T-service should be allowed to retain their existing storage entitlement. Unused storage would be available on a first come, first served basis.

To facilitate equal access to T-service, the Board found that the separation of marketing and transportation functions was necessary, as this would improve the competitive environment by ensuring that LDCs market gas on equal terms with brokers and producers. The separation would eventually entail separate corporate entities.

The Board reiterated its position that it has the power to compel an LDC to provide services to any qualifying customer, notwithstanding that this is a natural part of the Board's jurisdiction as a regulator of gas monopoly.

The Board outlined three mechanisms by which the legislation currently requires it to control the operation of brokers in Ontario: through approval of a municipal by-law, or franchise; a certificate of public convenience and necessity issued by the Board; and an order approving or fixing just and reasonable rates and other charges for the sale of gas (gas cannot be sold in Ontario without such an order from the Board).

The Board also stated that it planned to review, consolidate and clarify all legislation affecting natural gas regulation and recommend amendments to reflect changes in the gas industry in the 25 years since the legislation was introduced.

The Board ordered the utilities to file new rate proposals during the summer of 1987 so that final implementation of contract carriage rates could take place in the fall of 1987. The Board also expressed its intention to issue a separate Decision regarding the licensing and operation of four brokers who have each filed for a certificate for public convenience and necessity covering all of Ontario. That Decision will be discussed in next year's annual report of the Board.

E.B.R.O. 430:

ICG Utilities (Ontario) Ltd (ICG)

ICG (formerly Northern and Central Gas Corporation Limited) serves approximately 20 communities in northwestern, northern and eastern Ontario. It operates a natural gas distribution system consisting of some 1,600 kilometres of pipeline originating at more than 80 delivery points on the TCPL transmission system. Essentially, the ICG system is a series of laterals off the TCPL pipeline as it crosses Ontario, starting at Kenora and extending to the shores of Lake Ontario and the St. Lawrence River.

By application dated October 6, 1986, ICG requested approval to increase rates and other charges effective January 1, 1987. Although ICG provided some of its prefiled evidence with its application, complete evidence was not filed until January, 1987. Consequently a decision could not be issued until later in 1987. ICG requested interim relief, subject to refund, in order to recover costs and expenses and to earn a rate of return on common equity of 14.75 percent. The hearing into the main rate application commenced on January 26, 1987, and concluded on February 20, 1987.

On March 10, 1987, the Board issued notice that the hearing into ICG's main rate application would be reopened to examine the operational aspects of transportation arrangements between ICG and certain end-users, as well as to evaluate ICG's efforts in obtaining regulatory compliance and approval.

After denying a motion that the Board should not reopen the hearing, the date was set for April 1, 1987. Details of the hearing as well as the Board's Decision in the main case will be included in next year's annual report.



Ontario's steel industry is a heavy user of natural gas.

E.B.R.O. 405: Union Gas Rate Proposal

Union Gas Limited is the second largest gas distributor in Ontario, serving approximately 518,000 customers in south-western Ontario. Union also operates a network of pipeline, storage and compression facilities to provide service to customers and other utilities in eastern Ontario and Quebec.

The hearing into Union's application for a rate increase for fiscal 1987 was held under Board file E.B.R.O. 405-2 during November and December of 1985 and January of 1986. The Board issued a Decision on April 3, 1986, with Reasons following on May 5.

The Board found the use of a test year ending March 31, 1987, to be appropriate and determined that:

- In view of the recent renegotiation of the SNG contract with Petrosar Limited it was inappropriate to deal with Premium Account 4 in the proceeding;
- Union's utility rate base, net of accumulated deferred income taxes, was \$888,068,000;
- A reasonable rate of return on such a rate base is 12.58%;
- Union's revenue deficiency was \$4,357,000;
- Union's proposals for rate changes for storage and transportation customers were acceptable.

Union's evidence showed that the increased revenue from storage and transportation customers would exceed the found revenue deficiency. Union was directed to retest existing rate schedules for all customers and to record the difference between the found revenue deficiency and the increased revenue from storage and transportation customers. The Board issued a further order in June 1986 which incorporated revisions in Union's rate schedules and structure.

	EBRO 405-1 Previous Decision Oct. 28/85	EBRO 405-2 Final Union Submission	EBRO 405-2 New Board Decision
--	--	--------------------------------------	----------------------------------

Test Year Ending March 31

	1986	1987	1987
Rate Base (\$000's)	880,392	895,096	888,086
Utility Income (\$000's)	115,278	90,195	109,690
Indicated Rate of Return on Rate Base	13.09%	10.08%	12.35%
Cost of Capital			
Long-term Debt	12.01%	12.51%	12.51%
Short-term Debt	10.50%	8.80%	8.80%
Preference Shares	10.05%	10.18%	10.18%
Common Equity	15.60%	16.00%	14.75%
Allowed Rate of Return on Rate Base	12.75%	13.05%	12.58%
Revenue Deficiency (\$000's)	321*	56,706	4,357

*After adjustment for amortization of Petrosar Premium Account 3

**E.B.R.O. 418:
Union Gas – Application
to Vary Rates Order**

In April of 1986, Union requested an order varying the Board Order E.B.R.O. 405-2 (see above). Union also requested an order approving or fixing rates to recover the balance in Synthetic Natural Gas (SNG) Petrosar Premium Account 4. This account consisted of the excess costs over the traditional sources of supply arising from a contract Union entered into with Petrosar to obtain a secure supply of gas. The SNG is more costly than traditional sources of supply.

Union requested other relevant accounting orders to record continuing premium cost of the SNG premium, considerably reduced as a result of the 1986 agreement between Union and Petrosar. The hearing was held from May 12 to May 16, 1986.

The Board considered Union's attempt to lower the SNG premium, through an agreement with Transcontinental Pipeline Corporation to export SNG at the official gas export price, along with the 1986 agreement with Petrosar, to be insufficient justification for the total recovery of Premium Account 4 through rates. However, the Board found that the remaining balance, after the deduction of the Transco Settlement and various Energy Exchange Agreement amounts, should be amortized to future costs according to a specific amortization schedule.

In previous cases, the Board evaluated Union's efforts to mitigate Petrosar premium costs in deciding the extent of cost recovery. The Board continued to observe these same principles when assessing SNG premium costs accumulated before the 1986 agreement.

The Board recognized that the Transco settlement and the proposed 1986 agreement were efforts to mitigate costs. Nevertheless, the Board found that it would continue to require efforts to lower the SNG premium over and above the contractual discount before finding an amount to be recovered through rates. The Board found that 75 percent of the premium net of the discount should be apportioned to the customers, and 25 percent to the shareholders.

The Board made no finding as to future premiums, since there was no contract at that time and no indication that there would be an agreement between the parties.

**E.B.R.O. 418A:
Union Gas – Recovery
of SNG Costs**

In August, 1986, Union Gas applied to vary Ontario Energy Board Order E.B.R.O. 418 to include a provision for recovery of the ongoing costs of the SNG premium through prospective rates. These costs resulted from the renegotiated 1986 agreement between Union and Petrosar.

The Board upheld its findings from E.B.R.O. 418 noting that principles regarding sharing, mitigation and the incentive to mitigate still apply, and that the move to collection and institution of variation accounts did not change these principles. The Board did find that 25 percent of the balance accumulated in SNG Premium Account 5 should be transferred and recorded in a designated SNG Premium Deferral Account. The remaining 75 percent of the SNG premium cost incurred by Union would be accumulated in SNG Premium Account 5.

The Board also found that net revenues received by or credited to Union in mitigation of SNG premium costs should be credited equally to the SNG Premium Account 5 and the SNG Premium Deferral Account. The balance in the SNG Premium Account 5 would be amortized to Union's cost of gas and recovered in Union's rates during the balance of Union's 1987 fiscal year and in each fiscal year thereafter. This charge would increase Union's rates.

The Board also gave Union the opportunity to apply for recovery of the balance in the SNG Premium Deferral Account at the end of each fiscal year, or, alternatively, to write off the balance at the end of each fiscal year.

E.B.R.O. 414-1, 429, 430-1: Gas Cost Reductions

In the fall of 1986, the three major utilities, Consumers' Gas, Union Gas and ICG, applied to the Board for orders to reflect reductions in their cost of gas in a lowering of rates. The reductions resulted from a Memorandum of Agreement between each company and TransCanada PipeLines Limited or Western Gas Marketing Limited (the marketing arm of TCPL). These memoranda in turn were the outcome of the October 1985 Agreement on Natural Gas Markets and Prices, which provided for negotiation of prices of all gas moving interprovincially beginning November 1, 1986.

The memorandum each company had signed provided for a 20¢ per gigajoule reduction in the cost of all contract gas purchased from TCPL from September 1986 to October 1987. It also called for additional price discounts to be passed on to certain of each company's industrial and commercial customers. Proposals made by the utilities set discounts that meant the Board would no longer fix rates for large volume customers. The final cost of gas to large volume end-users would no longer be at rates approved by the Board but would be at the discretion of the utility for most customers, and the utility together with TCPL/WGML for very large customers.

The Board was concerned about approving rates that would:

- be set on the basis of criteria to which it was not party;
- require it to effectively abandon parts of its jurisdiction;
- possibly lead to undue discrimination; and/or
- be based on an agreement with a life-span of two years, which might prove to be too long.

The Board concluded that it would be in the interest of all concerned if there is sufficient time for the applicants to renegotiate the contracts with TCPL/WGML in such a way that the Board could exercise its jurisdiction according to the law.

The Board accepted the costs flowing from each company's Memorandum of Agreement until April 30, 1987 (later extended to October 31, 1987), in order to permit time for renegotiation and allow proposed criteria to be put in place and assessed. However, the Board pointed out that the renegotiation might not take twelve months and recommended that it proceed as quickly as possible.

Additional findings of a minor nature related to the different utilities were included in the Decision issued for each company.

H.R. 15: Ontario Hydro Rate Proposal

Ontario Hydro's proposal to change its rates effective January 1, 1987, was referred to the Board by the Minister of Energy on April 15, 1986.

The hearing commenced on June 2 and concluded on June 27, 1986. The Board reported to the Minister of Energy on August 28, 1986.

Hydro originally proposed an average rate increase for all customers of 4.9 percent. The increase was based on a gross revenue requirement of \$5,233 million for 1987, an increase of \$344 million over the primary revenue expected in 1986.

Increased sales volumes were expected to recover \$117 million, leaving \$227 million to be recovered through the rate increase. The proposed revenue requirement included a provision for net income of \$294 million.

In its Report to the Minister, the Board recommended an average all-customer rate increase of 5.9 percent to meet a gross revenue requirement of \$5,228 million. The Board included a net income provision of \$400 million. The Board outlined six major concerns underlying its conclusions and recommendations as set out in the Report.

1. Hydro should set annual rates on the basis of realistic forecasts of its costs, in accordance with its mandate to provide power at cost for Ontario. Those costs should be reflected in Hydro's Corporate Budget. Hydro should not announce acceptance of this Board's recommendation regarding the components of its revenue requirement unless it intends to reflect those recommendations in its Corporate Budget.

2. Hydro must make a major effort to reduce its controllable costs, particularly those relating to Operations, Maintenance and Administration.

3. Net income must be increased and should be recognized by Hydro as a legitimate cost of service in its rate setting.

4. The moratorium on rate design changes agreed upon by the relevant parties should be brought to an end.

5. Conservation, defined as making the most efficient use of electricity, should now be given priority by Hydro in its marketing and system planning.

6. Conservative accounting principles should be observed by Hydro in its rate setting and budgeting. Current costs should be covered by current rates, not deferred in the expectation of future easing of costs.

**Determination of Revenue Deficiency and Average All Customer Rate Increase
for the Year Ending December 31, 1987 (\$ millions)**

	Original Submission	Updated Forecast	Board Recommendation
Primary Sales	4,873	4,773	4,773
Revenue Requirement	5,233	5,007	5,056
Revenue Deficiency	(360)	(234)	(283)
Average All Customer Rate Increase	4.9%	4.9%	5.9%

**Pro-Forma Income Statement
for the Year Ending December 31, 1987 (\$ millions)**

	Original Submission	Updated Forecast	Board Recommendation
Gross Revenue Requirement	5,233	5,179	5,288
Deduct—Secondary Sales	360	172	172
Net Revenue Requirement	<u>4,873</u>	<u>5,007</u>	<u>5,056</u>
Operation, Maintenance and Administration	1,120	1,070	1,037
Fuel and Fuel-Related	1,090	1,114	1,104
Depreciation	762	751	747
Interest and Foreign Exchange	1,966	1,945	1,940
Net Income	<u>294</u>	<u>299</u>	<u>400</u>



*Hydro lines stretch across the sky as the sun
sets in Mississauga.*

COST AWARDS TO INTERVENORS

In 1985, a generic hearing was held to review the matter of cost awards to participants in Ontario Energy Board hearings. At issue was the need to encourage broad participation in hearings and to assist participants in providing high quality input.

The Board decided on a procedure for determining cost awards involving a panel to hear applications from intervenors. During the year in review, the Board awarded costs to the following parties:

E.B.R.O. 409

- Kidd Creek Mines Ltd.

E.B.R.O. 402-2

- C-I-L Inc.
- City of Kitchener
- Industrial Gas Users Association (IGUA)
- The Association of Physical Plant Administrators of certain Named Universities (The Universities)

E.B.R.O. 408

- IGUA

E.B.O. 123

- B. Magder Enterprises, Dawn Petroleum Company, Ms. Louise Marguerite Reid, Mr. Stanley Yaki, Mr. Ross Font

E.B.R.O. 418

- C-I-L Inc.
- City of Kitchener
- IGUA

E.B.R.O. 414

- Heating, Refrigerating and Air Conditioning Institute of Canada (Toronto Chapter)
- IGUA

E.B.R.O. 418A

- C-I-L Inc.
- City of Kitchener
- IGUA
- The Universities

E.B.R.L.G. 29, E.B.L.O. 207, EBC 170

- Mrs. Lynda Forbes
- The Concerned Citizens of Haldimand Township

E.B.R.O. 429

- C-I-L Inc.
- IGUA

H.R. 15

- Energy Probe
- Association of Major Power Consumers of Ontario
- Mr. Arnold Earl
- Municipal Electric Association

THE PUBLIC HEARING PROCESS

The Board's mandate is to regulate natural gas companies, advise the government and protect the public interest with regard to the pricing and distribution of natural gas and electricity. This is done primarily through public hearings. By providing a forum for the participation of all interested parties, a hearing ensures that the Board will render informed decisions which consider a wide variety of views and interests.

The hearing process consists of the following steps:

1. Initiation

The process begins:

- a) upon the receipt of an application;
- b) upon receipt of a reference from the Lieutenant Governor in Council or from the Minister of Energy or the Minister of Natural Resources;
- c) upon direction from the Board that it will initiate proceedings to consider a matter under its jurisdiction.

2. Notice of Application

The Board directs the applicant to serve notice of the application or itself serves notice on all affected parties and interested public groups.

For a major rate case, a natural gas utility will

- a) publish announcements of its application in regional daily newspapers;
- b) personally serve notice on municipal clerks in the utility's service area; and
- c) notify others as directed by the Board.

3. Interventions

Interested parties may ensure their eligibility to participate in the hearing by filing an intervention with an explanation of their reasons for intervening.

4. Notice of Hearing

The Board determines the scope and probable length of the hearing and directs the applicant to serve notice of the time and place of the hearing on all parties who have intervened.

5. Pre-Hearing Documentation

- a) Applications to construct pipelines are reviewed by the Ontario Pipeline Coordination Committee (OPCC—see page 10) which examines environmental implications. The OPCC sets out steps a utility must take before its application will be heard by the Board. Route selection and environmental impact studies are among the normal requirements of pre-filed evidence.
- b) Evidence in support of an application is filed with the Board up to two or three months before the hearing.
- c) Board staff and intervening parties may seek additional information by way of written interrogatories.
- d) Utilities answer interrogatories concerning pre-filed evidence before the hearing commences.



The Board conducts public hearings to get the widest possible input from groups and individuals affected by its decisions.

6. "First Day" Proceedings

Before the hearing of evidence commences, the Board panel may review with interested parties procedural matters, technical issues, and the general approach to the hearing. This gives everyone an opportunity to become familiar with the application and to identify all the issues they wish to address in the hearing.

7. The Hearing

The Board ensures that sufficient evidence to make an informed decision is presented, tested and put on the record. The applicant usually testifies first through written evidence and witnesses. Intervenor and Special Counsel to Board staff then question these witnesses and may offer witnesses of their own. These witnesses may be cross-examined by the applicant.

When all the evidence has been given, each party has the opportunity to offer a summation in the form of written or oral argument, as directed by the Board.

The pre-filed evidence, transcripts of the hearing, and arguments are a matter of public record and are available at the Board office in Toronto.

8. Board Decision

The Board summarizes its findings in a "Report" or a document called "Reasons for Decision" or "Decision with Reasons," either of which discusses all the issues and arguments raised in the hearing and indicates the Board's findings. Depending on the complexity of the case, this publication will appear a few weeks or months after a hearing. Copies of these documents are available from the Ontario Government Bookstore, 880 Bay Street, Toronto, upon the payment of modest prescribed fees. Parties to the hearing receive copies from the Board when the Decision is issued.

9. Board Order or Recommendation

A Board Order is a legal document directing the implementation of a Board decision. It is binding on the parties named. Board Recommendations are included in Board Reports to the appropriate Minister or the Lieutenant Governor in Council who may or may not implement them.

10. Review and Appeal

A Decision or Order of the Board may be appealed by:

- a) applying to the Board requesting that it rescind or vary its Order;
- b) petitioning the Lieutenant Governor in Council requesting a Board Order or Decision be confirmed, varied, rescinded or reheard;
- c) appealing an Order to the Divisional Court upon a question of law or jurisdiction;
- d) applying to the Divisional Court for judicial review or a Board decision.



Intervenor at an Ontario Energy Board Hearing, Toronto.

BOARD ORGANIZATION

Location

The Ontario Energy Board offices, including hearing rooms and a reference library, are located in downtown Toronto at 14 Carlton Street.

Library

The Board's Reference Library is open to the public by appointment. It carries periodicals and other current information on regulation and the natural gas industry. Previous Board cases are available on microfilm at the Board offices, and anyone wishing to research previous decisions may have access by appointment.

Public Inquiries

General inquiries concerning procedural matters on applications before the Board are handled by the Board Secretary. intervenors may also seek advice from members of the technical staff when preparing to participate in the hearing process.

Copies of Board Decisions and Reports may be purchased by the public from the Ontario Government Bookstore, 880 Bay Street, Toronto.

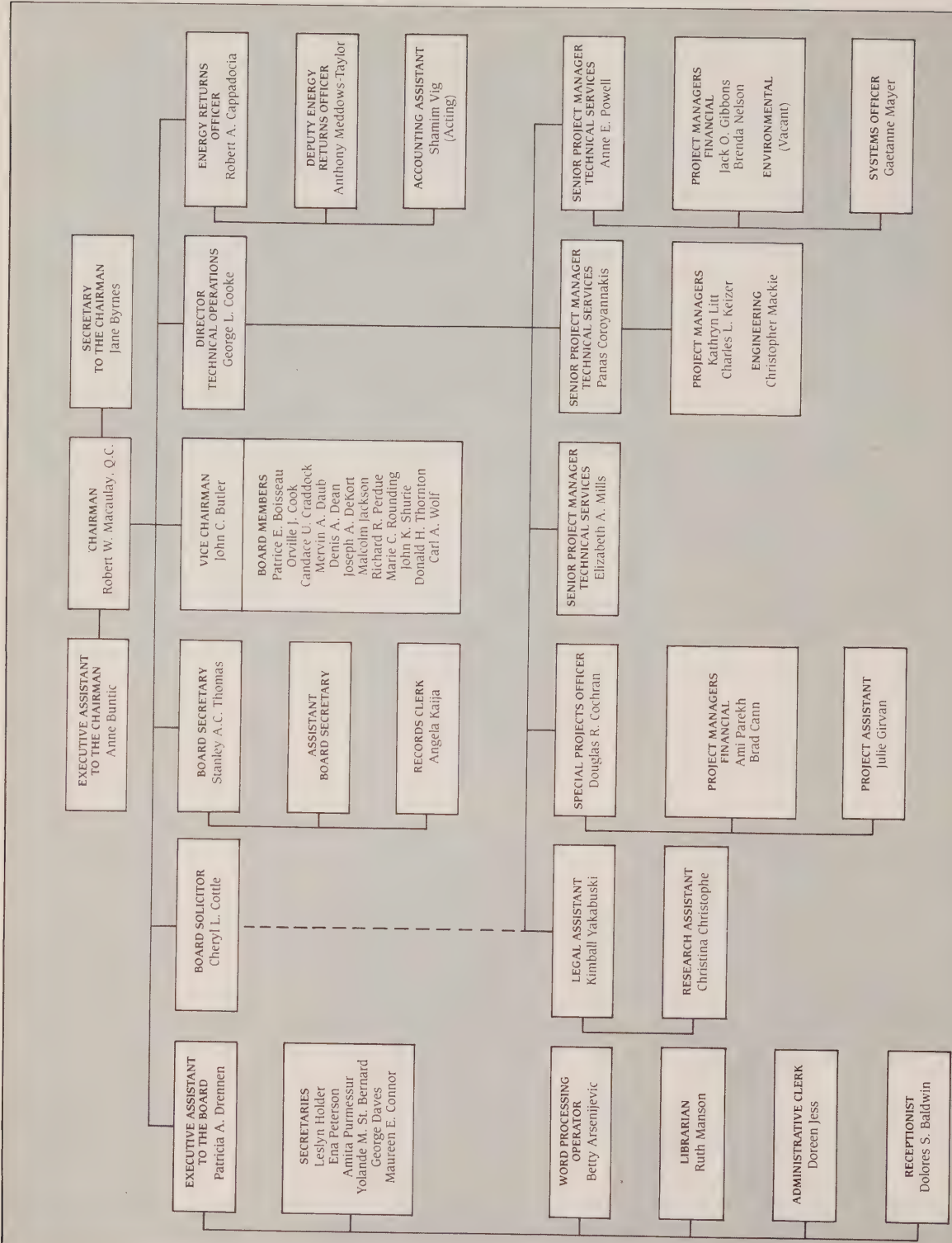
Board Members and Staff

The Chairman and Board members are appointed by the Lieutenant Governor in Council. The present Chairman was appointed in 1984 for a five year term. Board members are appointed for one to three year terms. Members bring a range of experience to the Board with backgrounds in law, engineering, economics, accounting and finance, or direct energy industry experience.

There were 36 full time staff in fiscal 1986-87, including Technical and Administrative Support staff with special or technical knowledge of matters related to Board hearings. Legal counsel and outside consultants may be engaged to conduct proceedings, advise or testify.

ORGANIZATION STRUCTURE

as at March 31, 1987



GLOSSARY OF TERMS

Argument:	The final step in a hearing, during which participants summarize their positions on various matters of concern based on the evidence adduced.
Board Order:	A legal document directing the implementation of a Board decision. An order is binding on the indicated parties.
Board Recommendation:	Usually contained in a Board Report to a Minister or to the Lieutenant Governor in Council on Ontario Hydro or some other energy-related matter. Such recommendations are not binding.
Bulk Power Rates:	Wholesale electricity rates to municipalities and certain industrial customers of Ontario Hydro having an average annual power demand of 5,000 kilowatts or more.
Buy/Sell Agreement:	Arrangement whereby an end-user purchases gas from a producer and then sells it to the local distribution utility who comingles that gas with other supplies. The end-user then buys gas from the local utility in the usual manner. The difference between the price paid to the producer and the price received from the local utility minus any transportation costs accrues to the end-user.
CMP:	Competitive Marketing Program: a discount program offered by producers selling system gas to meet competitive situations by allowing the end-user/distribution utility to negotiate a reduced price that is then passed from the producers through TransCanada and the local utility to the end-user.
Commodity Charge:	The variable component of pipeline transportation tolls or gas sales rates designed to recover variable costs of providing service.
Contract Carriage:	Transportation service provided for the transport of gas not owned by the transporting pipeline company. See also T-SERVICE.
Demand Charge:	The fixed component of pipeline transportation tolls or gas sales rates designed to recover fixed costs of providing service.
Designated Gas Storage Area:	A land area containing geological formations into which the Board may authorize a person to inject, store and remove gas. Injection of gas for storage into any geological formation outside of a designated gas storage area is prohibited under Section 20 of the Ontario Energy Board Act.
Direct Sales:	Natural gas supply purchase arrangements transacted between producers and end-users at negotiated prices for which pipeline transportation arrangements must then be negotiated separately with TransCanada and the local distribution utility.
Gigajoule:	A measure of energy content in fuel, a typical residential consumer of natural gas might use about 130 gigajoule (GJ) per year for household heating. (One GJ = approximately .95 Mcf of natural gas.)
Interrogatories:	Written requests for the supply of additional information or clarification of information already received.
Intervention:	Notice of intent to participate in hearings, stating the interest in the proceeding. The person or group is called an intervenor.

-
- Rate Base:** The amount that a utility has invested in assets that are used and useful in providing service minus accumulated depreciation plus an allowance for working capital and other items which the Board may determine. Rate base may also be net of accumulated deferred income taxes.
- Rate of Return on Common Equity:** Utility income, after tax, expressed as a percentage of the amount of common equity approved for inclusion in the utility's capital structure.
- Rate of Return on Rate Base:** The amount which a utility is allowed to earn expressed as a percentage of the rate base. Note that this return is not guaranteed to the utility. Rather, this is the return that the company has a reasonable opportunity to earn given forecast conditions.
- Revenue Requirement:** The allowed expenses of the utility and the allowed return on rate base are added together to obtain the total amount which the utility must recover through rates in order to cover its costs of providing service.
- Test Year:** A period of twelve consecutive months (usually the company's next full fiscal year) for which projections of costs, revenues, expenses and rate base are studied by the Board in order to set rates which will allow the utility the opportunity to earn a reasonable rate of return.
- T-Service:** The gas transportation service offered by a pipeline company or distributor to transport gas owned by others. See also CONTRACT CARRIAGE.

CA20N
EB
-A56

1987/88 bound separately

φN
6

9 8 8 - 1 9 8 9

ONTARIO ENERGY BOARD

ANNUAL REPORT



Ontario

CONTENTS

MESSAGE FROM THE CHAIRMAN	3
INTRODUCTION	5
STRUCTURE	10
THE PUBLIC HEARING PROCESS	11
REVIEW OF ACTIVITIES	13
Selected Activities	15
Ontario Hydro Review	16
Natural Gas Rates Applications	17
Facilities Applications	20
Gas Storage Applications	22
GLOSSARY OF TERMS AND ACRONYMS	24

The Ontario Energy Board is located at
2300 Yonge Street
Suite 2601
Toronto, Ontario
(416) 481-1967

Copies of this and other Board publications may be purchased from the Ontario Government Bookstore, 880 Bay Street, Toronto. Telephone (416) 326-5300.

Out-of-town customers please contact the Ministry of Government Services, Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8. Toll-free long distance: 1-800-668-9938.

ISSN 0317-4891

Photographs of Board members, staff, and hearing courtesy of Peter O'Dell
Photographs of natural gas installations courtesy of Union Gas Limited and of hydro installation courtesy of Ontario Hydro



Energy/Energie
Ontario

er/Ministre

Ministry
of
Energy

Ministère
de
l'Énergie

Queen's Park
Toronto, Ontario
M7A 2B7
416/965-4286
Télex 06217880

The Honourable Lincoln M. Alexander
Lieutenant Governor of the
Province of Ontario:

I hereby submit the annual report of the Ontario
Energy Board. It reviews the events and activities
of the fiscal year 1988-89.

Respectfully submitted,

Lyn McLeod
Minister of Energy

MESSAGE FROM THE CHAIRMAN



Vychowanec, Q.C.,
Chairman

I left the Ontario Energy Board in December 1984 and returned to it as Chairman in July 1988. The changes to the natural gas industry in Canada that took place during that short interval, and the effect of those changes on Ontario's gas distributors, their customers, and this Board were quite remarkable.

The catalyst for change was the Western Accord and the Agreement on Natural Gas Markets and Prices, both signed in 1985, by which Canada and the producing provinces agreed to develop, along with the consuming provinces and the gas industry, a pricing system that would respond to the market. This system was to have been implemented within a year, but it was soon evident that a year was not long enough.

Although hampered somewhat by legislation that has been virtually unchanged for a quarter of a century, this Board has worked in the years since 1985 to implement the two agreements. Through its many decisions it has encouraged the development of a natural gas market in which there were many buyers and many sellers. Despite the progress that has been made, however, the accord and the agreement have not yet been fully implemented.

To date, deregulation, or more accurately re-regulation, has resulted in reduced prices to virtually all customers, but large industrial customers especially have had significant reductions. Sophisticated industrial users of gas were quick to buy directly from producers, but even smaller commercial customers are now either buying directly from Alberta or Saskatchewan producers or are taking advantage of other discount opportunities, where available.

The new arrangements have raised many new issues for the Board to decide. During 1988-89, the Board reported to the Lieutenant Governor in Council on the issue of security of supply for Ontario customers. Among other things, the Board recommended that direct purchasers and particularly local distributors should be encouraged to enter into the longest term contracts that can be justified on the basis of price and other business considerations.

Towards the close of the fiscal year, the Board held separate hearings related to supply arrangements between Western Gas Marketing Limited and the three major Ontario gas distributors. The Board issued three separate decisions on April 14, 1989, approving rates that incorporated the gas cost resulting from these arrangements. The Board deferred making any decision regarding resale arrangements of system gas, which some intervenors alleged resulted in cross-subsidization by other ratepayers. There may be a generic hearing to review this matter, as well as several other related issues, later this year.

With many of the major deregulation issues now resolved, it is time to examine in greater detail the continued impact of deregulation on the Ontario consumer. The Board may need to refine certain of its earlier decisions to ensure that just and reasonable rates are being paid for the supply of gas in this province.

During the past year the Board's jurisdiction was challenged in the Supreme Court of Ontario in two cases, and in each case the Board's jurisdiction was confirmed. Also during the year the Board began preparing for the official implementation of the French Language Services Act and the Intervenor Funding Project Act. The Board now has four bilingual staff members who can provide services to the public in French.

Under the Intervenor Funding Project Act, this Board was one of three chosen to participate in a three-year pilot project related to the provision of intervenor funding in a proceeding before the Board. During the year the Board drafted Rules of Practice and Procedure under this act, and these have been approved by the Lieutenant Governor in Council. The first hearing to which this act applied was the reference on Ontario Hydro's bulk power rate proposal for 1990.

Two other undertakings which began some time ago were successfully completed this year. The Board will soon issue the third edition of its *Environmental Guidelines for Locating, Constructing, and Operating Hydrocarbon Pipelines in Ontario*. These guidelines will be published in French as well. In addition a model franchise agreement was adopted by the utilities and the municipalities in Ontario. The model agreement will be used in all future applications for natural gas franchises in a municipality.

In summary, it has been a productive and challenging year for the Board, and I anticipate that the coming year will be equally so.



S.J. Wychowanec, Q.C.
Chairman, Ontario Energy Board



Board members on March 31, 1989, were, from left to right, C.A. Wolf Jr, H.E. Andrews, D.A. Dean, Vice-chairman J.C. Butler, Chairman S.J. Wychowanec, Q.C., M.A. Daub, R.M.R. Higgin, O.J. Cook; missing was M. O'Farrell.

Ontario relies heavily on natural gas as an energy source and as a feedstock, primarily in the production of chemicals. Natural gas is the major fuel for all sectors of the economy except transportation, and it is the primary fuel used in heating space and water in the province. Indeed Ontario uses more natural gas than any other consuming province and accounts for approximately 41 percent of the total demand for Canadian natural gas. Natural gas provides approximately 30 percent of the energy consumed in the province. Electricity provides about 18 percent of the energy consumed in Ontario, and its use is growing. Liquid fuels (oil and natural gas liquids), coal, and wood provide the balance of Ontario's energy consumption.

The Ontario Energy Board regulates the natural gas industry through the setting of rates, authorizing the construction of transmission lines, and approval of franchise agreements. The Board also advises the Minister of Energy on general matters relating to the natural gas industry, as well as matters relating to Ontario Hydro. In all its considerations, the Board endeavours to ensure that rates are fair, that supply is secured, and that the public interest is upheld.

The report that follows outlines the Board's mandate and its role and responsibilities in fulfilling that mandate. After a tabular listing of all the Board's activities over the past year, it discusses some of them briefly.

.....

MANDATE

The Ontario Energy Board was formed in 1960 to provide an impartial formal mechanism for regulating specific aspects of Ontario's natural gas industry. In addition to its regulatory responsibilities, the Board, when requested in references from the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources, will advise on matters relating to energy, such as changes made by Ontario Hydro to its bulk power rates. In all its activities, the primary objective of the Ontario Energy Board is to ensure that the public interest is served and protected.

Most of the Board's responsibilities stem from legislation as set out primarily in the Ontario Energy Board Act. In addition, six other statutes give jurisdiction to the Board:

- the Municipal Franchises Act;
- the Petroleum Resources Act;
- the Public Utilities Act;
- the Assessment Act;
- the Toronto District Heating Corporation Act;
- the Intervenor Funding Project Act.

The Intervenor Funding Project Act was proclaimed on April 1, 1989, by the Lieutenant Governor in Council. As a three-year pilot project, the act establishes a procedure to provide for advance funding to intervenors in proceedings before a number of boards, including the Ontario Energy Board. It sets out specific criteria which the funding panel, established under the act, must consider in deciding whether to award funding to an intervenor.

.....

ROLE AND RESPONSIBILITIES

SETTING RATES FOR NATURAL GAS

Each natural gas utility sells and transports gas in franchised areas of the province. Competition now exists in the sale of energy: buyers may purchase gas directly from producers or they may turn to other sources of energy. Since the transportation of gas involves an extensive network of pipelines and storage facilities, a monopoly arrangement is most efficient; it avoids duplication and the cost increases that would result.

In Ontario, rates for the sale of gas must be approved by the Board. Gas distributors are required by legislation to submit their proposed rates to the Board for review and approval, which usually takes place on an annual basis. Rates for each utility are set following a public hearing. A major rate hearing lasts approximately three to four weeks.

Rates vary among classes of customers: residential, commercial, and industrial. In setting rates the Board's objective is to reflect the costs imposed on the system by the varying demands of different classes of customers. Residential demand for natural gas as a heating fuel, for example, change according to the weather and the time of day. As a result, it costs more on a per unit basis to provide service to residential users than to industrial customers, which use relatively large amounts of gas at a more constant level.

In setting rates, the Board tries to strike a balance between the prices to be paid by customers and the rate of return which shareholders of the utilities are allowed to earn on their investment. Rates are to be 'just and reasonable' for both customer and shareholder. In making its decisions the Board considers past, present, and projected expenses, along with current and forecast economic conditions and trends and the earnings expectations of the utility operators.

The Board may grant interim rate relief to either the company or the customers in cases where significant changes in a utility's costs or revenues have occurred or will occur. In such cases, an interim rate hearing is held, which usually takes one or two days. Interim rates are subject to revision and are not final until the rates application is completed and the Board has issued its decision and order.

As well as ensuring that utilities charge reasonable rates, the Board also must consider as part of the rate hearings the quality of service the utility provides.



Three of the Board's bilingual staff: from left to right, Nicholas Belak, Françoise Lafond, and Peter O'Dell

The Consumers' Gas Company Ltd is Canada's largest natural gas distribution utility. As of September 30, 1988, it served approximately 974,000 residential, commercial, and industrial customers in south, central, and eastern Ontario. Through affiliated companies not regulated by the Board, Consumers also supplies western Quebec and northern New York State. Consumers' rate base was \$1.416 billion at its year end, September 30, 1988. For that year Consumers had gas sales of 9.44 billion cubic metres, transportation volumes of 0.492 billion cubic metres, and revenues of about \$1.7 billion.

Union Gas Limited is the second largest gas distributor in Ontario, serving customers in southwestern Ontario. It also operates a network of transmission pipeline, storage, and compression facilities for customers and other utilities in eastern Ontario and Quebec. As of March 31, 1989, Union's rate base was about \$1.027 billion. It served over 573,000 residential, commercial, and industrial customers, generating an estimated total system throughput of 14.7 billion cubic metres for fiscal 1989, which includes gas transported to other gas distribution utilities. Total volumes of gas sales delivered to distribution customers (which includes both sales and transportation customers) was 8.0 billion cubic metres. Total revenue for Union in its 1989 fiscal year was about \$1.2 billion.

ICG Utilities (Ontario) Ltd serves approximately 100 communities in northwestern, northern, and eastern Ontario. Its natural gas distribution system comprises about 6,142 kilometres of pipeline originating at more than 76 delivery points on the TransCanada PipeLines (TCPL) transmission system. The ICG system is composed of a series of laterals running off the TCPL system as it crosses Ontario, starting at Kenora and extending to Lake Ontario and the St Lawrence River. As of December 31, 1988, ICG's average rate base was \$395 million. Serving 168,000 customers, ICG's total throughput totalled 3.07 billion cubic metres, and transportation service totalled 230 million cubic metres. ICG's total revenue was about \$443 million.

Natural Resource Gas Limited (NRG) is a small utility serving approximately 2,000 customers in the Aylmer area. As of September 30, 1988, NRG's rate base was \$2.9 million. The company generated about \$2.7 million in revenues in its 1988 fiscal year.

Tecumseh Gas Storage Limited operates a gas storage pool in southwestern Ontario. The company generated about \$15 million in revenues in its 1988 fiscal year. Consumers was Tecumseh's sole customer.

REVIEWING ONTARIO HYDRO RATES

Ontario Hydro's bulk power rates (wholesale power rates for municipalities and certain industrial customers) are set by Hydro's own board of directors. However, Ontario Hydro is required to submit any proposed change in its rates to the Minister of Energy who then refers it to the OEB, along with full technical information and financial data. After a public hearing, which usually begins in late May or early June and runs for about four weeks, the Board submits a report with recommendations to the Minister of Energy on or before August 31 each year. The Board's role is an advisory one and its recommendations are not binding on Ontario Hydro.

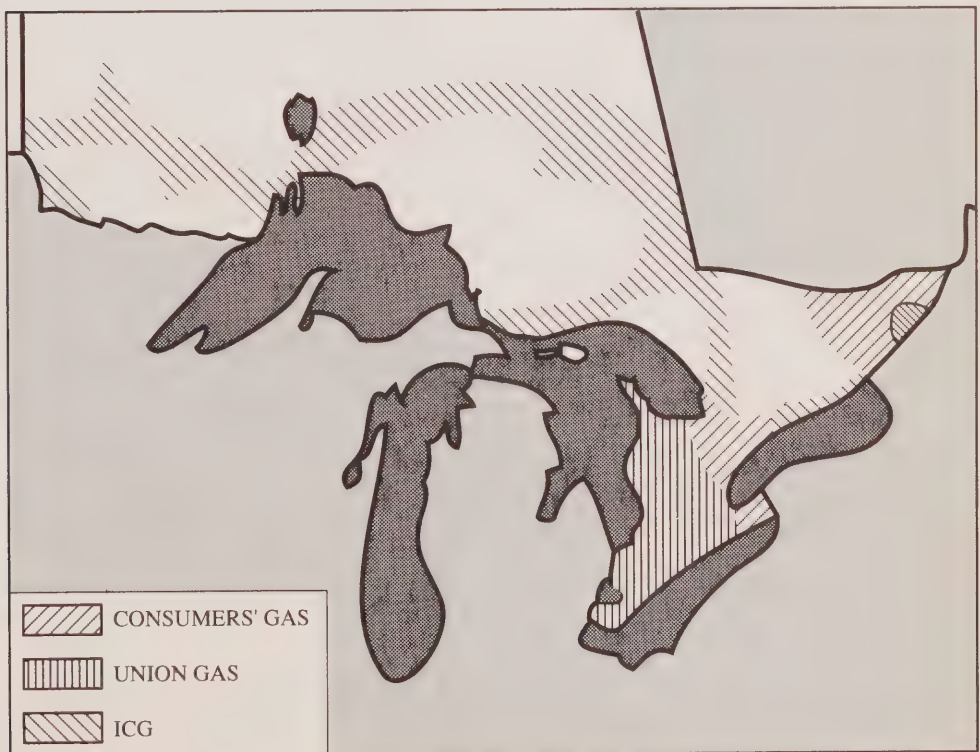
Ontario Hydro is the province's largest crown corporation. As of December 31, 1988, Ontario Hydro had assets of \$34.36 billion. It served at that date over 3.46 million customers directly and indirectly, over 85 percent being residential. Provincial sales of 128,000 GWh and export sales of 5,019 GWh produced revenue of \$5.8 billion.

REFERENCES AND GENERIC HEARINGS

The Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources may refer a matter to the Board for a public hearing and report. These references normally concern energy-related matters and generally attract widespread public interest. The Board's reports are advisory in nature.

In addition, changes in ownership of utilities may be referred to the Board for a hearing and report. The leave of the Lieutenant Governor in Council is required when a utility wishes to sell its assets or amalgamate with another utility, and when any person wishes to acquire shares of a utility to the extent that more than 20 percent of any class of shares changes ownership. The Board may recommend exemption from a hearing or may hold a hearing and submit its report and recommendations to the Lieutenant Governor in Council.

The Board may also hold generic hearings on its own initiative on matters under its jurisdiction. Such hearings are usually held in response to an emerging trend or an area of growing interest or concern, and deal with a subject in a broader context than issue-specific hearings.



Natural Gas Distribution in Ontario

APPROVAL OF FACILITIES

Utilities wishing to construct a transmission line for natural gas in Ontario must obtain Board approval. In addition, all construction proposals are reviewed by the Ontario Pipeline Coordination Committee (OPCC), an interministerial committee concerned with the environmental and safety aspects of pipeline construction. The OPCC is chaired by a staff member of the OEB, and it includes representatives from the ministries of Agriculture and Food, Energy, Environment, Consumer and Commercial Relations, Natural Resources, Culture and Communications, Municipal Affairs, and Transportation. Other regional agencies, with whom the natural gas utilities consult in the early stages of their planning, are also represented as required.

The OPCC tries to ensure that the construction of pipelines does not have any long-term negative effect on the environment and that the short-term impact during construction is minimized. With these objectives in mind, each proposal is reviewed, alternative routes or sites considered, and issues resolved before formal application for leave to construct is filed with the Board.

When the utility applies to the Board for approval, the Board assesses whether the construction is in the public interest, considering safety, economic feasibility, community benefits, security of supply, benefits for the utility, environmental impact, etc. The Ontario Energy Board has published *Environmental Guidelines for Locating, Constructing, and Operating Hydrocarbon Pipelines in Ontario*, which sets out its requirements. The *Environmental Guidelines* were developed in concert with provincial ministries and agencies whose mandates are affected by pipeline construction. Under revision at present, the *Environmental Guidelines* incorporate the latest standards and mitigation practices of each of the ministries. They also provide for greater public participation in the planning process for pipeline construction.

When a project is approved, the Board issues an order for leave to construct. The Board also grants the authority to expropriate land for transmission pipelines and related facilities and authorizes any pipeline crossings of highways, utility lines, and ditches.

APPROVAL OF FRANCHISE AGREEMENTS

Each municipality may grant to a gas utility the right to provide gas service and use road allowances in the municipality. A prerequisite to the essential by-law granting the franchise is the Board's approval of the terms and conditions of the franchise agreement.

Many of the existing agreements date back thirty years and more. Because circumstances have changed substantially since the original agreement was made, the negotiation between the municipality and utility can be a lengthy and complex process. In 1985 the Municipal Franchise Committee was formed to develop a model franchise agreement which could be used as the basis for all new and renewed agreements. The model agreement came into effect in 1988 and sets out standard conditions for gas distribution, the use of road allowances, construction approvals, procedures for restoring lands after construction, etc.

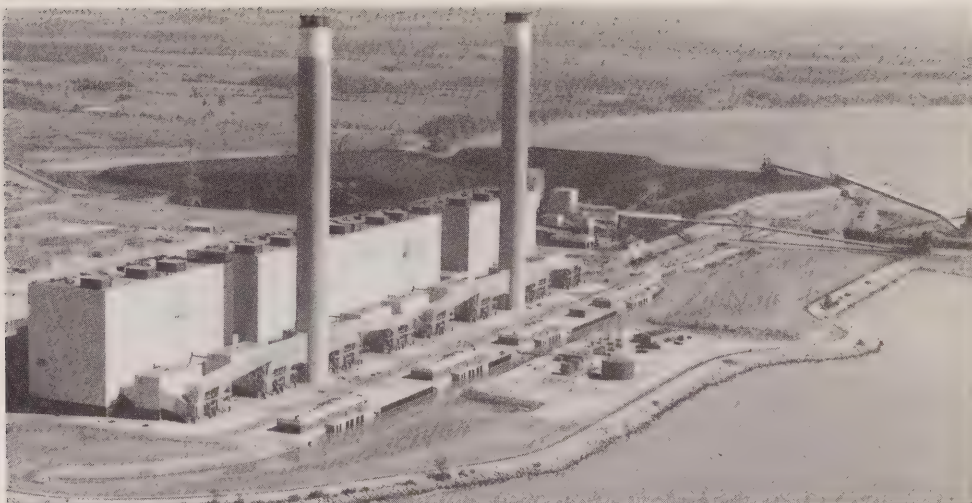
After the model agreement was implemented, municipal franchise renewals from Union, Consumers, and ICG, which were pending approval, were dealt with by the Board in three hearings, one for each company. In total, forty-nine franchise renewals were heard by the Board in the fall of 1988. Considerable time and expense was saved at the hearings because of the common nature of all the applications before the Board. The OEB expects that the model agreement will be the basis for all new and renewed franchise agreements.

CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

No person is allowed to construct any works to supply gas without Board approval. The approval, in the form of a certificate, is not given unless public convenience and necessity appear to support approval.

NATURAL GAS STORAGE

Vital to the natural gas distribution system in Ontario is the ability to store gas, and gas storage pools therefore represent a natural resource of economic significance to the province. The main storage sites are depleted gas pools in southwestern Ontario. These storage pools are used by transmitters and distributors to meet fluctuating demand and to draw on in case of emergency. Gas is normally injected into storage during the summer months when demand is low, to be withdrawn



With a capacity of 4100 megawatts, the Nanticoke generating station on Lake Erie, near Port Dover, is Ontario Hydro's largest coal-fired plant.

in high-consumption periods during the winter. This balancing of load makes it possible for the transmission system from western Canada to operate efficiently.

Gas may not be injected into any geological formation unless it is a designated gas storage area, described in Regulation 700, Revised Regulations of Ontario, 1980, under the OEB Act. In reviewing applications for the use of such areas, the Board considers the geology of the pool, its suitability, the appropriate boundary of the area to be designated, the applicants' rights to use the storage capacity, the need for it, and the economic viability of developing the storage pool. The Board recommends to the Lieutenant Governor in Council designated gas storage areas, authorizes their use, and, in cases where the applicants and landowners have not reached agreement, determines the compensation payable to landowners.

Applications for drilling permits for wells within a designated gas storage area must be referred by the Ministry of Natural Resources, whose department issues the permits, to the Board for consideration. If the applicant is the authorized operator of the gas storage area, the Board has discretion as to how it should process the application before reporting to the minister. If the applicant is not the authorized operator, the Board must proceed by way of a public hearing.

Applications to inject fluid and pressurize a geological formation also require a permit from the Ministry of Natural Resources. If the injection well is within 1.6 kilometres of a designated gas storage area, the minister is required by the Petroleum Resources Act to seek a report from the Board.

The Board regulates the joining of the various interests within a spacing unit, field, or pool for the purpose of drilling or operating gas or oil wells, the designation of management, and the apportioning of the cost and benefits of such drilling or operation.

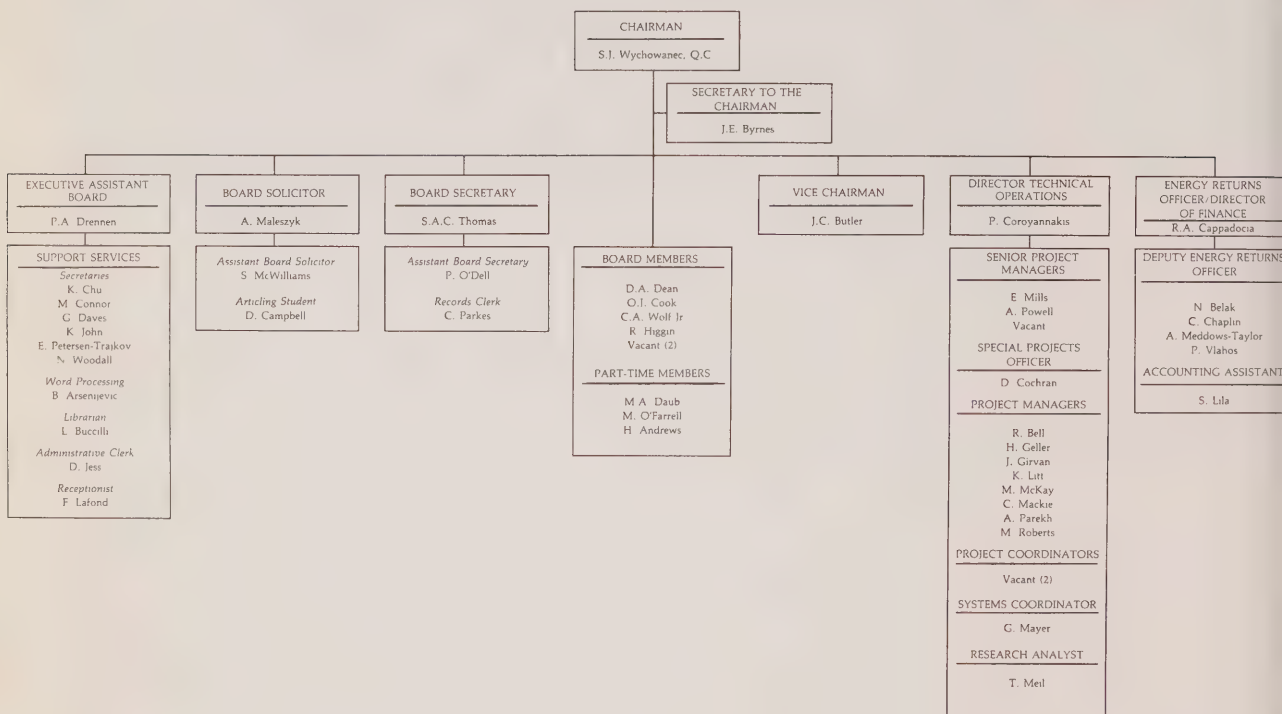
OTHER MATTERS

Natural gas utilities must conform to a uniform system of accounts as prescribed by the Board. No change in accounting methods may take place without the Board's approval. The Board is continuing its first significant review and upgrading of the regulation which prescribes the classification of accounting since it was made under the OEB Act in 1966.

The Board receives information regularly from natural gas utilities regarding financial operations and performance. If a utility earns either too little or too much compared to its allowed rate of return, the Board's Energy Returns Officer and his or her staff may conduct a special investigation. The Board may, on its own motion, require a utility to appear before it to explain its earnings.

The nature of public utilities changes along with the economic and social environment in which they operate. Accordingly, it is appropriate for the Board to review legislation relating to public utilities and, if necessary, to propose amendments.

ONTARIO ENERGY BOARD



The Board employed 49 full-time staff in fiscal 1988-89.

FINANCIAL STRUCTURE

The Ontario Energy Board Act authorizes the Board to recover its costs by charging an appropriate portion of these costs to the utilities involved in Board hearings and related activities. Following a hearing, the Board issues a cost order to the utility concerned. This represents payment towards costs incurred by the Board and also, when ordered, those incurred by the intervenors. The amount to be paid to the Board includes out-of-pocket and direct expenses attributable to a specific hearing, as well as a contribution towards the Board's fixed costs, including overhead and payroll.

In fiscal 1988-89, the Board operated with an approved budget of \$5.4 million. Of this amount, 75 percent will be recovered by means of cost orders issued to utilities.

THE PUBLIC HEARING PROCESS

Public hearings provide an essential mechanism with which the OEB can carry out its mandate. Public hearings also provide a forum for groups or individuals, who may be affected by the Board's decisions, to express their concerns. Such public participation helps to ensure that the Board, in reaching a decision, will be informed and will consider a wide variety of views and interests. The hearing process includes eleven steps.

1 INITIATION

The hearing process begins:

- upon receipt of an application; or
- upon receipt of a reference from the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources; or
- upon notice from the Board that it will initiate proceedings to consider a matter under its jurisdiction.

2 NOTICE OF APPLICATION

Applicants are required to serve the Board's notice of the application on all affected parties and interested public groups. If the Board itself has initiated a hearing, it will serve the notice. For a major rate case, a natural gas utility usually will publish notices of its application in regional daily newspapers.

When an application affects people residing in certain government-designated areas, all notices also must be published in French in French-language newspapers. A notice must appear in a French weekly newspaper if no French daily newspaper is published in the area.

3 INTERVENTIONS

Interested groups or individuals wishing to participate in the hearing are referred to as 'intervenor.' To ensure their eligibility to participate in the hearing, they must file an intervention, which explains their reasons for wishing to take part.

In 1988-89 participants could request costs for their participation at the conclusion of the hearing. On April 1, 1989, the Intervenor Funding Project Act came into effect. It establishes a procedure that allows intervenors to apply for advanced funding before the hearing begins. A funding panel appointed by the Board decides on the eligibility of applicants for intervenor funding and the amount of each award. Participants may continue to ask for costs at the conclusion of the hearing as before.

4 NOTICE OF HEARING

Once the Board has determined the scope and probable length of the hearing, it directs the applicant to serve notice of the time and place of the hearing on all parties who have intervened.



The public hearing to review Ontario Hydro's proposal to change its rates

5 PRE-HEARING DOCUMENTATION

To allow sufficient time for all parties to review information pertaining to the application, the applicant must file evidence in support of its application two to three months before the hearing begins. Board staff and intervening parties may also seek additional information by way of written interrogatories. These interrogatories are answered by the utility before the hearing commences.

In the case of applications for the construction of pipelines, which are reviewed by the Ontario Pipeline Coordination Committee, the normal requirements of pre-filed evidence would include route selection and environmental impact studies.

6 PROCEDURAL ORDERS

The Board may issue procedural orders specific to the case. Such orders may set the date for hearing, for example, or contain deadline dates for completing certain procedural matters such as the filing of supporting evidence, interrogatories, and answers thereto. Procedural orders may also set forth a list of the issues to be dealt with at the hearings.

7 'FIRST DAY' PROCEEDINGS

Before the hearing of evidence commences, the Board panel may review procedural matters, technical issues, and the general approach to the hearing. This gives everyone an opportunity to become familiar with the application and to identify all the issues they wish to address in the hearing.

8 THE HEARING

The Board ensures that sufficient evidence is presented, tested, and put on the record, so that an informed decision can be made. The applicant usually testifies first, through written evidence and witnesses. Intervenor and counsel to Board staff then question these witnesses, and may offer witnesses of their own. These witnesses may be cross-examined by the applicant or by the other intervenors. When all evidence has been given, each party may offer a summation in the form of written or oral argument as directed by the Board.

The pre-filed evidence, arguments, and transcripts of the hearing are a matter of public record and are available at the Board office in Toronto.

9 BOARD DECISIONS/REPORTS

Depending on whether the hearing was a result of a reference, or either an application or a notice from the Board, the Board summarizes its deliberations in a document referred to as a 'Report,' or a 'Decision with Reasons.' These documents discuss all the issues and arguments raised in the hearing and contain the Board's recommendations or findings. Depending on the complexity of the case, the document will appear a few weeks or months after a hearing. Copies of the documents are available from the Ontario Government Bookstore, 800 Bay Street, Toronto, upon payment of a modest prescribed fee. Persons involved in the hearing receive copies of the document from the Board.

The Board's recommendations are not binding in most cases referred to it by the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources. The appropriate minister or the Lieutenant Governor in Council decides whether or not the recommendations should be implemented. In the case of references from the Minister of Natural Resources with respect to drilling permits, however, the recommendations are binding upon the minister.

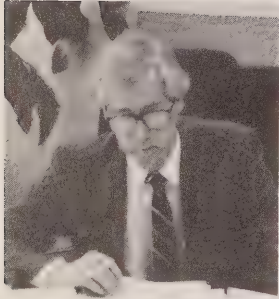
10 BOARD ORDER

A Board Order is a legal document which directs the implementation of a Board Decision and is binding on the parties named.

11 REVIEW AND APPEAL

A Decision or Order of the Board may be appealed by:

- applying to the Board requesting that it rescind or vary its Order;
- petitioning the Lieutenant Governor in Council;
- appealing an Order to the Divisional Court upon a question of law or jurisdiction;
- applying to the Divisional Court for judicial review of a Board Decision.



Board Member Orville Cook preparing a Board Decision

VIEW OF ACTIVITIES

Ontario Energy Board, Summary of Activities, April 1, 1988—March 31, 1989

FILE NUMBER	APPLICANT/ORIGINATOR	CASE DESCRIPTION
<i>Natural Gas Rates Applications</i>		
BRO 411-III-A/430II-A	Falconbridge	Clarification/rehearing of ICG rate matter
BRO 440-2	ICG	Recovery of gas costs relating to WGML contract
BRO 451-1	NRG	Interim recovery of deferred gas costs
BRO 452	Consumers	1988 & 1989 fiscal year adjustment of rate levels and design
BRO 452-3	Consumers	Recovery of gas costs relating to WGML contract
BRO 455-1	Tecumseh	Interim recovery of costs relating to investment in Dow-Moore pool
BRO 456	Union	1989 & 1990 fiscal year adjustment to rate level and design
BRO 456-4	Union	Recovery of gas costs relating to WGML contracts
<i>Reference from the Minister of Energy regarding Ontario Hydro</i>		
IR 17	Ministry of Energy	Rates 1989
<i>Reference from Lieutenant Governor in Council</i>		
BRLG 30A/B	Consumers	Undertakings
BRLG 32	OEB	Security of Supply
<i>Pipeline Construction and Expropriation</i>		
BLO 223	Consumers	Rugby Gate station and Georgian Bay reinforcement pipeline
BLO 224	Tecumseh	Development of Dow-Moore pool storage and pipeline construction
BLO 225	Consumers	Leave to construct Peterborough/Lindsay pipeline
BLO 226	Union	St Clair pipeline
BLO 226A	TCPL	Jurisdiction regarding St Clair pipeline
BLO 227	Union	Dawn 156 storage pipeline
BLO 228	ICG	Horseshoe Valley pipeline
BLO 229	ICG	Prices Corners pipeline
BLO 230	Union	Strathroy & Beachville facilities expansion
<i>Pipeline Exemptions</i>		
L 63	Union	Village of Burford pipeline
L 64	Union	Towerline Road pipeline (Norwich and Burford townships)
L 65	Union	Towerline Road pipeline (Burford Township)
L 66	Union	Caradoc Township pipeline
L 67	Union	Sombra storage pipeline (County of Lambton)
L 68	Union	Enniskillen gas storage pipeline
L 69	ICG	Northland Power-Cochrane cogeneration plant pipeline
<i>Other Ontario Energy Board Orders</i>		
BO 147	Tecumseh	Designation of Dow-Moore pool
BO 149	Union	Storage/transportation contract for Kingston PUC
BO 150	Union	Storage/transportation contract for Consumers
BO 154	Union	Storage agreement for Tarpon Gas Marketing
BO 155	Union	Contract carriage application for C-I-L
BO 156	Tecumseh	Storage contract for Consumers
BO 158	Union	Storage/transportation agreement for Domtar

FILE NUMBER	APPLICANT/ORIGINATOR	CASE DESCRIPTION
<i>Franchise Approval</i>		
EBA 405/472	Union	Town of Blenheim
EBA 470	Consumers	County of Victoria
EBA 473	Consumers	Town of Shelburne
EBA 474	Consumers	Town of Caledon
EBA 475	Consumers	Town of Innisfil
EBA 476	Consumers	Township of Amaranth
EBA 477	Consumers	Town of Whitby
EBA 479	Consumers	Township of Mulmur
EBA 488	Consumers	Township of Melancthon
EBA 489	Consumers	Township of Cavan
EBA 490	ICG	City of Sault Ste Marie
EBA 491	ICG	Township of Augusta
EBA 494	Consumers	Township of Hope
EBA 495	Consumers	Township of Hamilton
EBA 496	Consumers	Township of South Monaghan
EBA 498	ICG	Township of Hamilton
EBA 499	ICG	Township of Osnabruck
EBA 500	ICG	Township of North Fredericksburgh
EBA 501	ICG	Township of Kingston
EBA 502	Consumers	Township of Seymor
EBA 503	ICG	Township of Medonte
EBA 504	Union	County of Kent
EBA 505	Union	City of Chatham
EBA 506	Union	Town of Dresden
EBA 507	Union	Town of Tilbury
EBA 508	Union	Village of Erie Beach
EBA 509	Union	Village of Highgate
EBA 510	Union	Village of Wheatley
EBA 511	Union	Village of Wyoming
EBA 512	Union	Township of Adelaide
EBA 513	Union	Township of Camden
EBA 514	Union	Township of Chatham
EBA 515	Union	Township of Dover
EBA 516	Union	Township of Harwich
EBA 517	Union	Township of Howard
EBA 518	Union	Township of Orford
EBA 519	Union	Township of Raleigh
EBA 520	Union	Township of Romney
EBA 521	Union	Township of Tilbury East
EBA 522	Union	Township of Zone
EBA 523	Union	Town of Forest
EBA 524	Union	Town of Parkhill
EBA 525	Union	Village of Arkona
EBA 526	Union	Village of Ailsa Craig
EBA 527	Union	Village of Thedford
EBA 528	Union	Township of Bosanquet
EBA 529	Union	Township of East Williams

FILE NUMBER	APPLICANT/ORIGINATOR	CASE DESCRIPTION
BA 530	Union	Township of West Williams
BA 531	Union	County of Lambton
BA 532	Consumers	Village of Port McNicholl
<i>Certificates of Public Convenience and Necessity</i>		
BC 139B	ICG	Township of Oro
BC 182	Consumers	Village of Coldwater
BC 183	Consumers	Township of Medonte
BC 184	Consumers	Township of Hope
BC 185	Consumers	Township of Hamilton
BC 186	Consumers	Township of South Monaghan
BC 187	ICG	Township of Medonte
<i>Uniform Accounting Orders</i>		
JA 076	ICG	Deferral of costs relating to certain hearings
<i>Reports to Minister of Natural Resources</i>		
EBRM 89	Tecumseh	Drilling permit for Dow-Moore pool
EBRM 90	Tecumseh	Drilling permit for Kimball-Colinville pool
EBRM 91	Union	Drilling permit for Dawn 156 pool
EBRM 92	Tecumseh	Drilling permit for Kimball-Colinville pool

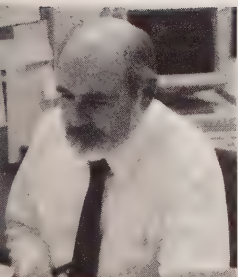
.....

SELECTED ACTIVITIES

SECURITY OF SUPPLY HEARING EBRLG 32

Following a reference from the Lieutenant Governor in Council, dated May 19, 1988, the Board held a hearing to investigate a number of issues pertaining to the current and future supply needs of gas users in Ontario. Participants in the fourteen-day hearing included representatives from all sectors of the gas industry: producer, broker, transporter, distributor, and end-user. The Board issued its interim report in August 1988 and its final report in November. The report included the following recommendations:

- the government should encourage prudent investment to increase storage capacity;
- the Board should review periodically gas supply and related concerns;
- the government should publish guidelines to enhance the public's understanding of contracting practices;
- long-term contracts should be encouraged without the imposition of mandatory terms or standards;
- direct purchase and buy/sell customer transportation arrangements, except with Board exemption, should be for three years;
- policies to make excess transportation capacity available to other Ontario distributors or direct purchase customers should be developed;
- the 'core market' should not be defined, and no limitation should be imposed on any customer as to the choice of supplier;
- the government should investigate whether a strategic reserve of gas to be used during intervals of supply shortage should be established for Ontario.



Thomas, Board Secretary, processing an application received by the OEB

COST OF GAS HEARINGS EBRO 440-2, 452-3, 456-4

On January 22, 1988, as reported in last year's *Annual Report*, the Board issued three simultaneous Decisions relating to Ontario's three major gas utilities, Consumers, ICG, and Union, wherein accepted the renegotiated agreements of the three companies with Western Gas Marketing Limited (WGML) for one more year, to October 31, 1988, to allow extra time for the development of more competitive market.

The three companies applied to the Board in August and October 1988 for approval for rate-making purposes of the cost of gas supplies flowing from contracts each had recently negotiated with WGML. The three sales contracts are similar in structure: gas supplies are sold in two blocks, both supplied at \$2.20 per gigajoule, but with Block A designed for the 'essential customer group' negotiated for a longer period of time (fifteen and twelve years), and with a fixed \$0.60 per gigajoule demand charge included in the price for the term of the contract. Block B, the smaller volume is negotiated for a shorter period of time (five or three years) and is destined for large volume users.

The Board held hearings in February and March 1989 and issued three Decisions, dated April 14, 1989, accepting the cost of gas flowing from the WGML contracts for rate-making purposes. The specifics for each company are discussed below.

ONTARIO HYDRO REVIEW

BULK POWER RATES PROPOSAL HR 17

Ontario Hydro's proposal to increase its rates effective January 1, 1989, was referred to the Board by the Minister of Energy on April 19, 1988. Hydro proposed an average all-customer rate increase of 5.5 percent, based on a revenue requirement of \$5,942 million which represented an increase of \$495 million over 1988 revenue.

In its Report, the Board recommended an average all-customer rate increase of 5.8 percent. The Board also recommended the payment of a \$25 million debt guarantee fee to the provincial government. The Board's Report included forty-six recommendations to the Minister of Energy. The Board also expressed concern about the lack of time in the hearing process to review the issues adequately; the degree of control exercised over Hydro's operating, maintenance, and administration costs; and the appropriate allocation of Hydro's demand management funds.



Otto Holden generating station, a 243 megawatt plant on the Ottawa River, has provided power to Hydro customers since the 1950s.

NATURAL GAS RATES APPLICATIONS

CONSUMERS

Main Rates Application EBRO 452

On March 28, 1988, Consumers applied to the Board for an increase in rates for its 1989 fiscal year commencing October 1, 1988, as a result of a forecasted gross revenue deficiency of \$9.7 million. This revenue deficiency was later amended to a revenue sufficiency of \$17.2 million, based on a 14.375 percent return on equity and a 35 percent equity ratio. The hearing began July 20, 1988, and continued for eighteen days. It recommenced September 6 and was completed September 20. The second phase dealt mainly with the cost allocation and rate design matters.

During the hearing the Board ordered a rate reduction of 0.1433 cents per cubic metre effective July 19, 1988, because of Consumers' projected excess revenue of \$13.7 million in fiscal 1988. In its Decision with Reasons, dated December 21, 1988, the Board found a gross revenue sufficiency of \$36.2 million for the 1989 fiscal year, based on a 13.5 percent return on equity and a 35 percent common equity ratio. On January 12, 1989, the Board issued an addendum to its Decision which adjusted gas costs to reflect certain costs associated with buy/sell purchases. This addendum increased the gross revenue sufficiency for the 1989 fiscal year to \$38.3 million.

On January 18, 1989, Consumers filed a section 30 application for review and variation of certain portions of the December 21, 1988, Decision. The company submitted that it would be unable to earn its allowed return on equity if the Board continued to impose a limit on the rate of return allowed on certain customer rates. In its Decision, dated February 6, 1989, the Board reiterated its belief that rates should become more cost based but allowed the company to approach this objective gradually. The Board established a deferral account for any resulting revenue shortfall.

Main Rates Application—Consumers

	Requested	Allowed
	\$ million	
Rate base	1516.5	1500.9
Utility income	199.4	203.3
Gross revenue excess	17.2	38.3
	percentage	
Indicated rate of return	13.15	13.54
Required rate of return	12.52	12.06
Common equity ratio	35.00	35.00
Return on common equity	14.375	13.50

Undertakings EBRLG 30 A/B

On February 3, 1988, Consumers applied for approval of debt financing for its subsidiary Gazifère Inc. and approval to continue investing in Arbor Living Centres Inc. through Congas Holdings, another subsidiary. These applications were pursuant to undertakings given to the Lieutenant Governor in Council by the company on March 4, 1987. The hearing convened on May 3, 1988, and oral argument was heard the following day.

In its Decision of June 30, 1988, the Board noted that the application raised issues regarding the type and magnitude of the diversification that should be permitted in the utility operating company and the tests that should be applied to judge the prudent limits for such investments. The Board indicated that the current level of investment could continue, subject to certain conditions of approval. However, the Board directed Consumers not to increase its investment or participation in Arbor directly, through Congas, or through any other subsidiary, beyond the currently approved level of \$21 million in equity and \$80 million in associated debt issued by Arbor.



Trenching in preparation for laying the NPS 42 pipeline approved by the Board (EBLO 230)

The Board approved the proposed subsidiary financing for Gazifère subject to certain terms and conditions. However, the Board noted that debt issued by non-regulated subsidiaries should always remain a minor component of the non-current investments made by the utility. The Board's Decision regarding these matters is currently under appeal before the Board.

Cost of Gas EBRO 452-3

By letter of agreement dated October 12, 1988 (amended December 12), Consumers and WGML established the terms and conditions for new, unbundled gas sales contracts. In addition, Consumers entered into a separate transportation contract with TCPL. By notice of motion dated October 19, 1988, Consumers asked the Board to approve, for rate-making purposes, the cost of gas flowing from this contract for the first and second contract years. The effective date of the agreement was January 1, 1989, as long as Board approval was received by April 20, 1989. In addition, the Board was asked to approve the costs of gas resulting from contracts the company had entered into for winter-peaking and other long-term gas supplies.

As discussed earlier in the section on cost of gas, the WGML gas sales contract is divided into two blocks of gas at a specified price for the first two years. In Consumers' contract, Block A is for 150 billion cubic feet for fifteen years, and Block B for 38 billion cubic feet for five years, renewable on an annual basis thereafter. In the third and following years of the contract, the price of gas for the two blocks will be negotiated by the two parties. The contracts allow for volume reductions to both blocks of gas should Consumers' customers arrange to purchase directly from producers. WGML and Consumers also agreed to share provisions for excess transportation capacity Consumers may have on the TCPL system.

The hearing began on February 6, 1989, and concluded with the filing of Consumers' Reply Argument on March 13. The Board's Decision, dated April 14, 1989, accepted the cost of gas flowing from the first two years of the WGML contract and other gas supply contracts for rate-making purposes.

ICG

Review by Board

ICG did not apply to the Board to adjust rates for its 1989 fiscal year. The Board's Energy Returns Officer reviewed the relevant financial data and recommended that ICG be exempted from a public rate review.

Cost of Gas EBRO 440-2

ICG's new supply and transportation agreement with TCPL and WGML, executed October 11, 1988, and effective January 1, 1989, is composed of a gas sales contract and transportation operating agreement with WGML and transportation contracts with TCPL for the various delivery areas on the ICG system. ICG's agreement provided for fifteen-year and five-year blocks of gas. This agreement replaced ICG's contract demand service contracts with TCPL. ICG's existing pricing agreement had expired on October 31, 1988. ICG purchased gas from WGML/TCPL between November 1 and December 31, 1988, pursuant to its 1986 agreement and 1987 amendment, with the CD contracts remaining in effect for this period.

The Board's Decision, dated April 14, 1989, accepted the cost of gas flowing from the WGML contract for the first two years for rate-making purposes.

Application to Reopen ICG Phase II Proceedings by Falconbridge Limited EBRO 411-III.A, 430-II.A
Falconbridge, an ICG industrial customer, applied to the Board on June 17, 1988, for clarification, rehearing, or review of the Board's Decision of May 20, 1988, dealing with cost allocation and rate design matters for ICG. In its application, Falconbridge requested that retroactive adjustments commencing February 20, 1987, be made on a class-average rather than a customer-specific basis under the new demand-commodity rate structure for ICG's large industrial customers.

The Board in its Decision, dated September 20, 1988, being better informed of the serious financial consequences faced by certain customers in the implementation of the new demand-commodity rate structure, particularly for low load factor customers, found that the effective date of ICG's new rate structure should be January 1, 1988, and that these customers' bills should be adjusted retroactively for the February 20 to December 31, 1987, period on a class-average basis.

NRG

Interim Rate Relief EBRO 451-1

By a letter dated October 19, 1988, NRG requested interim rate relief to recover an accumulated deficit in a deferral account which the Board had established to track variances between the forecast and the actual cost of gas. In its interim Decision, dated March 22, 1989, the Board allowed NRG to record \$134,745 in the account as of September 30, 1988. The Board further indicated that interest relating to these costs should also be recorded. Interim rate relief was denied, however, because the company had not provided sufficient evidence that these amounts should be recovered in rates. The company was directed to submit further evidence for their contention in its next main rates case.

UNION

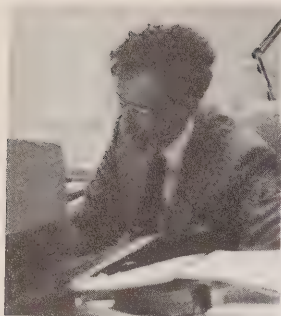
Main Rates Application EBRO 456

On August 31, 1988, Union applied to the Board for a rate increase for its 1990 fiscal year based on a projected deficiency of \$32.065 million in revenue. This projected deficiency was later amended to \$16.546 million reflecting the impact of federal tax reform and Union's updated forecast based on second quarter results for fiscal 1989. The deficiency was based on a request for 14.875 percent rate of return on common equity and a 29 percent equity ratio.

On its own motion, the Board held a limited issues review of Union's 1989 fiscal year which examined the appropriate rate of return on common equity, long- and short-term debt, and preferred shares, the rate base, storage and transportation revenue, unaccounted-for gas volumes, throughput forecasts, and labour costs. This review began on November 7, 1988, and lasted a total of nine days. In its Decision, issued March 20, 1989, the Board found a rate base of \$1.026 billion, an allowed rate of return of 11.9 percent, and a total revenue excess of \$24.687 million. The Board directed Union to rebate \$10.1 million to its customers, as a result of projected tax reform savings. It also directed Union to reduce its rates, effective November 1, 1988, to reflect the Board's findings that Union's current rates would result in excess revenues of \$14.587 million on an annualized basis, excluding tax reform. The Board's findings were primarily based on adjustments to Union's throughput forecasts and a finding of 13.75 percent for rate of return on common equity.



Board Solicitor Anna
Leszyk providing a legal
view



Energy Returns Officer Nicholas Belak reviewing technical data filed by the utilities

The hearing of evidence on Union's application for a rate increase for 1990 began on January 1989, and was adjourned January 20. The portion of the proceeding dealing with rate design and cost allocation was deferred until April 1989 to allow the Board time to consider the renegotiated gas cost agreements between Union and WGML. The Board's overall decision regarding Union's 1990 test year application was still pending at the end of the Board's fiscal year.

Cost of Gas EBRO 456-4

On August 31, 1988, Union Gas applied to the Board for an order fixing just and reasonable rates for the sale, storage, and transmission of gas. It also applied for an order to reflect in rates the gas costs flowing from gas purchasing agreements with TCPL and WGML for the delivery period beginning November 1, 1988. On November 25, 1988, Union and WGML reached an agreement in principle on new long-term gas supply arrangements to commence February 1, 1989, and interim pricing arrangements for the period November 1, 1988, to January 31, 1989. In January 1989, WGML and Union signed the new gas supply contract.

In these new agreements the old contracts were unbundled into separate supply and transportation components. Union's gas sales supply arrangement with WGML is structured in two blocks: Block A for a twelve-year and Block B for a three-year period. The total volume to be taken on of this contract in 1989 is 104 billion cubic feet. Volumes of Block B gas supplies are those taken by Union's customers who hold SGR arrangements with WGML. The agreement provides for 10 percent decontracting of fuel gas volumes to October 31, 1989, and the right to decontract further volumes in the following year.

Unlike the other Ontario distributors, Union has not entered into a long-term transportation contract with TCPL. The gas supply contract includes a provision that allows for the sharing of any excess capacity Union may have on the TCPL system. The hearing was held between March 17, with final argument on April 4.

The Board's Decision, dated April 14, 1989, accepted the cost of gas pursuant to the WGML contract for the first two years and other gas supply contracts for rate-making purposes.

.....

FACILITIES APPLICATIONS

CONSUMERS

Rugby Gate Station and Georgian Bay Reinforcement Pipeline

EBLO 223; EBC 182, 183; EBA 492, 493

The Board, in its Decision of June 8, 1988, approved Consumers' application to construct 48 kilometres of NPS 8 pipeline in Simcoe County to reinforce the existing gas supply to the Midland area, which was at capacity. The Board found that the new pipeline would increase security of supply to customers in the Georgian Bay area. In conjunction with its application, Consumers also applied to the Board for certificates of public convenience and necessity and for municipal franchise approvals for the village of Coldwater and the township of Medonte, areas that could be serviced by Consumers' new pipeline. The Board approved these applications.

Peterborough-Lindsay Reinforcement Pipeline

EBLO 225 (PL 62); EBC 184, 185, 186; EBA 494, 495, 496

On May 26, 1988, the Board heard Consumers' applications for leave to construct 31 kilometres of NPS 12 pipeline through the townships of Hope and Cavan. Consumers maintained that the pipeline would reinforce its existing system serving the Peterborough area, establish a second source of supply to this market, and provide service to customers along the route. Also heard were applications by Consumers to supply and distribute gas in the townships of Hope, Hamilton, and South Monaghan, which could be served from the proposed pipeline.

The Board's Decision, issued July 22, 1988, approving the pipeline construction, found that the pipeline was needed to assure a reasonable and safe supply to the Peterborough and Lindsay areas. Consumers' applications to serve Hope and Hamilton townships were not approved because the Board considered that these townships were adequately served by ICG under existing franchises and certificates.

ICG

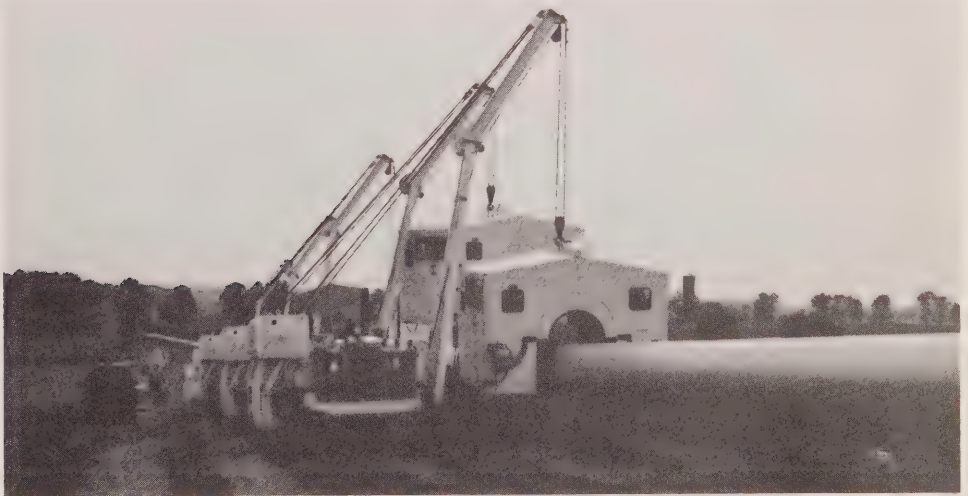
Horseshoe Valley EBLO 228; EBC 187, 139-B; EBA 503

ICG applied for leave to construct approximately 8.5 kilometres of NPS 4 and NPS 2 pipeline to serve new customers in the Horseshoe Valley area in Oro and Medonte townships. Consumers intervened in this hearing and submitted that it should be given the opportunity to investigate the merits of constructing a pipeline to the Horseshoe Valley area.

The Board, in its Decision dated October 20, 1988, reserved judgment on ICG's application pending information on projected residential development in the area. The Board also encouraged both ICG and Consumers to jointly consider constructing a line from Consumers' existing system.

Prices Corners EBLO 229

ICG applied to the Board for leave to construct 2.2 kilometres of NPS 4 pipeline in Simcoe County to serve the community of Prices Corners, located in the townships of Oro and Medonte. Consumers, which holds the rights to distribute natural gas in Oro and Medonte, intervened in the hearing and reaffirmed its plans to provide service to Prices Corners. The Board denied ICG's applications in its Decision of October 20, 1988.



Automatic welding machines used in the construction of the NPS 42 pipeline approved by the Board (EBLO 230)

UNION

St Clair Pipeline EBLO 226/226A

Union applied for leave to construct 11.7 kilometres of an NPS 24 pipeline from the proposed St Clair valve site to the proposed Sarnia industrial line station in Moore Township and continuing to Bickford Pool compressor station in Sombra Township. Evidence was heard between June 16 and 20, 1988, with oral arguments on June 24. Later TCPL requested that it be allowed to file additional evidence which it considered relevant to the issue of whether or not the OEB had jurisdiction to decide on a pipeline that will be directly linked to the movement of gas across an international border. The reopened hearing was convened on August 16, 1988.

In its Decision, dated September 1, 1988, the Board found that the proposed facilities were in the public interest. Specifically, they would increase access to the broader U.S. gas reserve base and provide transportation alternatives; enhance security of gas supply through diversification of sources; supplement developed storage in Ontario by giving access to Michigan storage space and permit the integration of the two storage systems; and, through increased ability to access and store U.S. gas bought at spot and firm prices, enhance the bargaining power of Union and its storage and transportation customers when negotiating the price of primary supplies of western Canadian gas.

The Board found that the proposed pipeline was within its jurisdiction and dismissed TCPL motion on this matter. Leave to construct the proposed facilities was granted to Union subject to conditions. TCPL appealed the Board's Decision on the grounds that only the National Energy Board has jurisdiction in such a situation. The Divisional Court upheld the OEB Decision.

***Dawn 156 Storage Pipeline* EBLO 227**

By letter dated June 6, 1988, Mr Ken McGregor complained to the Board about Union's construction of a NPS 30 pipeline across the McGregor property in Dawn Township. Union replied that the pipeline construction was necessary so that the pool, underlying the McGregor property, could store an additional 3.8 billion cubic feet of gas. Union claimed that the line in question was a gathering line, not a transmission line, and that it had the right to enter upon these lands which were within the designated gas storage area without authorization of the Board.

The Board issued a Procedural Order, dated June 30, 1988, directing Union to cease construction immediately and appear before the Board on July 6. Following its review, the Board issued an interim decision concluding that the pipeline was a transmission line and notified all parties that it would hear evidence concerning this matter. In its Decision, dated August 15, 1988, the Board found that the pipeline was necessary to meet the storage requirements of both Union and its storage customers. The Board lifted its stop-work order and granted Union an exemption to construct the transmission line.

Union sought leave to appeal the Board's Decision before the Ontario Divisional Court on the grounds that Union has the right to construct pipelines within a designated gas storage area, without further leave of the Board. This application for leave to appeal was denied, thus affirming the Board's jurisdiction. A further appeal by Union of the court's decision was also denied.

***Strathroy and Beachville Transmission Facilities Expansion Program* EBLO 230**

On October 20, 1988, Union proposed the construction of two sections of NPS 42 pipeline looping its Dawn-Trafalgar transmission system: an 18-kilometre section from Strathroy gate station to Lobo compressor station, and a 20-kilometre section from the Beachville transmission station to the Bright compressor station. The new pipelines would complete Union's 42-inch looping program between the Dawn compressor station and the Kirkwall line extension; the pipeline would meet the increasing demand for transportation service by Union's customers.

The hearing for Union's 1989 facilities took place on December 6, 1988, and the Board approved the project on February 14, 1988.

..... GAS STORAGE APPLICATIONS

TECUMSEH

***Designation of the Dow-Moore Pool* EBO 147**

On January 26, 1988, Tecumseh applied to the Board to designate a depleted gas reservoir in Moore Township known as the Dow-Moore 3-21-XII Pool as a gas storage area. Tecumseh also requested authorization to inject gas into, store it in, and withdraw it from the pool.

The Board found that this pool, which is jointly owned by Tecumseh and Union, is the largest remaining known pinnacle reef available for use as gas storage in southwestern Ontario. In its Report to the Lieutenant Governor in Council, submitted May 2, 1989, the Board recommended that the lands overlaying the pool should be designated as a gas storage area. Designation being granted, the Board approved Tecumseh's application to inject, store, and remove gas from the pool, subject to certain conditions.



Katy Chu providing secretarial services for the preparation of an OEB Decision

Dow-Moore Pool Pipeline EBLO 224

The Board, in its Decision dated May 27, 1988, approved an application by Tecumseh to develop the Dow-Moore storage pool, and an application to construct a 7-kilometre NPS 24 pipeline to serve the pool. The new pipeline links Tecumseh's compressor station to the pool. The pipeline has been designed and tested to accommodate the peaking service requirements of Consumers in conjunction with Tecumseh's other storage pools. The pipeline has also been designed to accommodate potential pressure elevations of the Dow-Moore pool.

Dow-Moore Gas Storage Pool EBRM 89

On June 5, 1988, the Minister of Natural Resources referred to the Board seven applications by Tecumseh for permits to drill into the Dow-Moore pool. The Board approved the applications subject to certain conditions in its Report of July 21 to the minister. A public hearing was not held since the applications were not contested.

Storage Rates to Include Dow-Moore Pool Facilities EBRO 455-1

On August 30, 1988, Tecumseh filed an application with the Board requesting a rate increase to allow for the recovery of costs relating to the operation of the Dow-Moore storage facility. A one-day hearing was held on November 17, 1988. In its Decision, dated December 5, the Board indicated that interim rate relief was warranted to recover a projected deficiency of about \$1.1 million resulting from the operation of this facility. Acquisition and development of this facility increased Tecumseh's net investment by approximately 50 percent.

Kimball-Colinville Pool EBRM 90/92

Four applications by Tecumseh for permits to drill in the Kimball-Colinville pool were referred to the Board by the Minister of Natural Resources, three on June 6 and one on July 28, 1988. The Board approved the applications subject to certain conditions without a public hearing since they were not contested.

UNION

Dawn 156 Pool EBRM 91

The Minister of Natural Resources referred two applications submitted by Union Gas for well permits in the Dawn 156 pool to the Board by letter dated July 5, 1988. The Board approved the applications subject to certain conditions without a public hearing since they were not contested.

GLOSSARY OF TERMS AND ACRONYMS

Argument The final step in a hearing, during which participants summarize their positions on various matters of concern based on the evidence adduced.

Bcf One billion cubic feet, a measure of gas equivalent to 28.328 million cubic metres.

Board Order A legal document directing the implementation of a Board Decision. An Order is binding on the indicated parties.

Board Recommendation Usually contained in a Board report to a minister or to the Lieutenant Governor in Council, on Ontario Hydro or some other energy-related matter. Board recommendations are not binding except in matters set out under Section 23 of the Ontario Energy Board Act.

Bulk Power Rates Wholesale electricity rates to municipalities and certain industrial customers of Ontario Hydro having an average annual power demand of 5,000 kilowatts or more.

Buy/Sell Agreement Arrangement whereby an end-user purchases gas from a producer and then sells it to the local distribution utility which comingles that gas with other supplies. The end-user then buys gas from the local utility in the usual manner. The difference between the price paid to the producer and the price received from the local utility, minus any transportation costs, accrues to the end user.

Bypass The total avoidance of the local distribution company's system for the transportation of gas.

Commodity Charge A charge per unit volume of gas actually taken by the purchaser, as distinguished from a demand charge which is a constant charge based on the maximum volume a buyer has the right to take whether or not any gas is taken in a given period.

Contract Carriage Transportation service provided for the transport of gas not owned by the transporting pipeline company; contract carriage rates are sometimes referred to as T-rates.

Contract Demand (CD) Gas which a utility or a customer has the contractual right to demand on a daily basis from the supplier of the gas.

Demand Charge A monthly charge which normally covers the fixed costs of the system. The demand charge is based on the daily contracted volume and is payable regardless of volumes taken.

Designated Gas Storage Area A land area containing geological formations into which the Board may authorize a person to inject, store, and remove gas. Injection of gas for storage into any geological formation outside a designated storage area is prohibited under Section 20 of the Ontario Energy Board Act.

Direct Sales Purchases of natural gas supply negotiated between producers and end-users at prices excluding transportation; pipeline transportation arrangements must be negotiated separately with TCPL and the local distribution utility.

Gigajoule (GJ) A measure of energy content in fuel. A typical residential consumer of gas might use about 130 gigajoules per year for household heating (one GJ of thermal energy equals approximately 0.95 million cubic feet of natural gas).

GWh Gigawatt hour

Interrogatories Written requests for the supply of additional information, or clarification of information already received.

Intervention Notice of intent to participate in hearings, stating the interest in the proceeding. The person or group is called an intervenor.

LDC Local distribution company

NPS Nominal pipe size; for example, NPS 24 refers to a pipe with an approximate exterior diameter of 610 mm or 24 inches.

Ontario Pipeline Coordination Committee (OPCC) An interministerial committee, chaired by a member of the OEB staff, and including designates from those ministries of the Ontario government which collectively have a responsibility to ensure that pipeline construction and operation have minimum undesirable impact on the environment. The environment, perceived in a broad sense, covers agriculture, parklands, forests, wildlife, water resources, social and cultural resources, public safety, and landowner rights.

Rate Base The amount that a utility has invested in assets that are used or are useful in providing service, minus accumulated depreciation, plus an allowance for working capital and any other items which the Board may determine. Rate base may also be net of accumulated deferred income taxes.

Rate of Return on Common Equity Utility income, after tax, expressed as a percentage of the amount of common equity approved for inclusion in the utility's capital structure.

Rate of Return on Rate Base The income, after tax, that a utility is allowed to earn expressed as a percentage of the rate base. Note that this return is not guaranteed to the utility. Rather, this is the return that the company has a reasonable opportunity to earn given forecast conditions.

Revenue Requirement The allowed expenses of the utility are added to the allowed return on rate base to obtain the amount of revenue the utility must recover through rates to cover its costs of providing service.

SGR System Gas Resale Arrangement, whereby a customer purchases gas from WGML at the Alberta border at a negotiated price. The gas is immediately resold to WGML/TCPL at the Alberta border at the price prevailing between the LDC and WGML/TCPL. The LDC then purchases the gas from WGML/TCPL at the Alberta border as part of its system supply, and the customer continues to be a sales customer of the LDC.

System Gas Gas supplied under contract to TCPL by gas producers.

TCPL TransCanada PipeLines Limited

Test Year A prospective period of twelve consecutive months (usually the company's next full fiscal year) for which projections of revenues, costs, expenses, and rate base are studied by the Board in order to set rates which will allow the utility the opportunity to earn a reasonable rate of return.

Throughput Volume Gas sales, direct purchase and transportation volumes, and, where applicable, storage volumes.

Unbundled Rate A rate for an individual, separate component of service offered by a distributor, as opposed to a rate which combines the costs of a variety of component services.

WMGL Western Marketing Group Limited

NPS : Diamètre nominal du tube (« nominal pipe size » en anglais). Par exemple, NPS 24 désigne un tube dont le diamètre extérieur approximatif mesure 610 mm, ou 24 pouces.

Ordonnance de la Commission : Document juridique régissant la mise à exécution d'une décision de la Commission. Les parties concernées doivent se conformer aux dispositions qu'il contient.

Plaidoirie : Etape finale de l'audience au cours de laquelle les participants résument leur position face aux diverses questions soulevées d'après les preuves présentées.

Questions : Demande écrite de présentation de renseignements supplémentaires ou d'explications sur certains renseignements déjà reçus.

Recommandations de la Commission : Généralement contenues dans un rapport de la Commission présenté à un ministre ou au lieutenant-gouverneur en conseil sur Ontario Hydro ou une autre question liée au domaine énergétique. Les parties concernées ne sont pas obligées de se conformer à ces recommandations, sauf dans les circonstances énoncées à l'article 23 de la Loi sur la Commission de l'énergie de l'Ontario.

Rendement des actions ordinaires : Revenu après impôt de l'entreprise de services publics, exprimé en pourcentage du montant des actions ordinaires, qu'elle est autorisée à inclure dans la structure de son capital.

Revenus exigés : Revenus que l'entreprise de services publics doit réaliser par l'entremise des tarifs pour amortir les coûts de service. Ces revenus correspondent au montant des dépenses permises de l'entreprise, additionnées du rendement permis sur la base de tarification.

RGD : Revente de gaz distribué. Entente en vertu de laquelle un consommateur achète du gaz à WMGL, à la frontière de l'Alberta, à un prix négocié. Le gaz est immédiatement revendu à WMGL/TCPL, à la frontière de l'Alberta, au prix en vigueur entre l'ELD et WMGL/TCPL. L'ELD achète alors le gaz à WMGL/TCPL, toujours à la frontière de l'Alberta, et l'assimile à son réseau; l'abonné reste donc le client de l'ELD.

Tarif d'ensemble : Tarif imposé pour une partie du service offert par un distributeur, par opposition au tarif comprenant le coût de diverses composantes d'un service.

Tarifs de vente d'électricité en gros : Tarifs de vente d'électricité en gros imposés par Ontario Hydro aux municipalités et à certains clients industriels qui consomment en moyenne 5 000 kilowatts et plus par année.

Taux de rendement sur la base de tarification : Revenus après impôt exprimés en pourcentage de la base de tarification que l'entreprise de services publics est autorisée à gagner. Ce rendement n'est pas garanti mais correspond au rendement auquel l'entreprise peut raisonnablement s'attendre compte tenu des conditions prévues.

TCPL : TransCanada Pipelines Limited.

Ventes directes : Ventes de gaz naturel négociées entre le producteur et l'utilisateur final, à des prix n'englobant pas le transport. Le transport par pipeline doit faire l'objet d'ententes distinctes à négocier avec TCPL et l'entreprise locale de distribution.

Volume total débité : Total des volumes de gaz vendus, achetés directement et transportés, auquel s'ajoutent, s'il y a lieu, les volumes stockés.

WMGL : Western Marketing Group Limited.

Zone désignée de stockage de gaz : Zone émergée comportant des formations géologiques, dans lesquelles une personne peut, sous réserve de l'autorisation de la Commission, injecter et stocker du gaz, pour pouvoir ensuite l'en retirer. En vertu de l'article 20 de la Loi sur la Commission de l'énergie de l'Ontario, il est interdit d'injecter du gaz dans une formation géologique ne faisant pas partie d'une zone de stockage désignée.

Base de tarification : Montant investi par une entreprise de services publics dans les biens utilisés pour fournir les services, moins l'amortissement cumulé, plus le montant consacré au fonds roulement et tout autre poste retenu par la Commission. La base de tarification peut également être nette d'impôts sur le revenu reportés et cumulés.

Bp3 : Abréviation désignant un milliard de pieds cubes de gaz, soit l'équivalent de 28,328 millions de mètres cubes.

Comité ontarien de coordination des pipelines (COCOP) : Comité interministériel présidé par un membre du personnel de la Commission de l'énergie de l'Ontario et formé de représentants des ministères du gouvernement de l'Ontario qui se sont collectivement engagés à réduire à un minimum les répercussions environnementales de la construction et de l'exploitation de pipelines. Le concept d'environnement, interprété au sens large, englobe l'agriculture, les parcs, les forêts, la faune, les ressources en eau, les ressources sociales et culturelles, la sécurité du public et les droits des propriétaires fonciers.

Contrat d'achat et de vente : Contrat en vertu duquel un utilisateur final achète du gaz auprès d'un producteur pour le vendre ensuite à une compagnie locale de distribution qui mélange ce gaz à des volumes provenant d'autres fournisseurs. L'utilisateur final achète ensuite du gaz auprès de la compagnie locale de la façon habituelle. La différence entre le prix payé au producteur et le prix reçu par la compagnie locale, moins les frais de transport, revient à l'utilisateur final.

Contrat de transport : Service fourni pour le transport de gaz n'appartenant pas à la compagnie de transport par pipeline; les tarifs de transport sous contrat sont parfois appelés tarifs T.

Demande contractuelle : Quantité de gaz qu'une entreprise de services publics ou un abonné a le droit d'exiger quotidiennement, en vertu d'un contrat, de la part du fournisseur de gaz.

ELD : Entreprise locale de distribution.

Evitement : Non-utilisation du réseau de la compagnie locale de distribution pour le transport du gaz.

Exercice de référence : Période de douze mois consécutifs (en général, le prochain exercice financier complet de l'entreprise) pour laquelle des prévisions des revenus, des coûts, des dépenses et de la base de tarification sont soumises à l'examen de la Commission afin d'établir les tarifs qui permettront à l'entreprise de services publics d'obtenir un rendement adéquat.

Frais liés à la demande : Frais mensuels qui couvrent généralement les frais fixes du réseau. Les frais liés à la demande sont basés sur le volume quotidien prévu au contrat et doivent être acquittés quels que soient les volumes de gaz pris.

Frais liés au produit : Frais perçus pour chaque unité de volume de gaz effectivement prise par l'acheteur. Ils diffèrent des frais liés à la demande, qui sont des frais constants calculés à partir du volume maximal qu'un acheteur a le droit de prendre, même si aucune quantité de gaz n'est prise pendant la période visée.

Gaz distribué : Gaz distribué par les producteurs en vertu d'un contrat conclu avec TCPL.

Gigajoule (GJ) : Unité de mesure du contenu énergétique des combustibles et carburants. Un abonné résidentiel typique utilise environ 130 gigajoules (GJ) par an pour chauffer sa résidence (un GJ d'énergie thermique est égal à environ 0,95 million de pieds cubes de gaz naturel).

GWh : Gigawatt-heure.

Intervention : Avis d'intention de participer à une audience, dans lequel les raisons pour lesquelles on s'intéresse aux délibérations sont indiquées. La personne ou le groupe qui en est l'auteur porte le nom d'intervenant.

Dans une décision datée du 27 mai 1988, la Commission a approuvé une demande présentée par Tecumseh en vue d'aménager le réservoir de stockage de Dow-Moore, ainsi qu'une demande annexe visant la construction d'un tronçon de pipeline NPS 24 de 7 kilomètres pour desservir le réservoir à partir de la station de compression de la compagnie. Le nouveau pipeline a été conçu et mis à l'épreuve en fonction des exigences auxquelles Consumers devrait faire face pour assurer le service à ses abonnés en période de pointe, en liaison avec les autres réservoirs de Tecumseh. Le pipeline a aussi été étudié pour résister à d'éventuelles hausses de pression dans le réservoir de Dow-Moore.

Réservoir de gaz de Dow-Moore EBRM 89

Le 5 juin 1988, la Commission a reçu du ministre des Richesses naturelles sept demandes émanant de Tecumseh au sujet de permis de forage dans le réservoir de Dow-Moore. Dans son rapport du 21 juillet au ministre, la Commission a approuvé les demandes, sous réserve de certaines conditions. Il n'y a pas eu d'audience publique, les demandes n'ayant fait l'objet d'aucune contestation.

Tarifs de stockage prenant en compte les installations du réservoir de Dow-Moore EBR0 455-1
Le 30 août 1988, Tecumseh a présenté à la Commission une demande de majoration de ses tarifs en vue de recouvrer les frais liés à l'exploitation des installations de stockage du réservoir de Dow-Moore. Une audience d'une journée s'est déroulée le 17 novembre 1988. Dans sa décision, datée du 5 décembre, la Commission a indiqué qu'un rajustement provisoire était justifié, sans quoi l'exploitation du réservoir se serait soldée par un déficit prévu de 1,1 million de dollars. L'acquisition et l'aménagement de ces installations avaient augmenté d'environ 50 pour cent le niveau des investissements nets de Tecumseh.

Réservoir de stockage de Kimball-Colinville EBRM 90/92

Le ministre des Richesses naturelles a saisi la Commission de quatre demandes présentées par Tecumseh pour la délivrance de permis de forage dans le réservoir de Kimball-Colinville, soit trois demandes le 6 juin et la quatrième le 28 juillet 1988. La Commission a approuvé les demandes, sous réserve de certaines conditions, sans procéder par voie d'audience, vu l'absence de contestation.

UNION

Réservoir de stockage Dawn 156 EBRM 91

Le ministre des Richesses naturelles, dans une lettre datée du 5 juillet 1988, a transmis à la Commission deux demandes de Union Gas pour la délivrance de permis de forage dans le réservoir de stockage Dawn 156. La Commission a approuvé les demandes, sous réserve de certaines conditions, sans procéder par voie d'audience, vu l'absence de contestation.

La Commission a jugé que le projet de pipeline relevait de sa compétence et a rejeté ainsi la motion présentée par TCPL à ce propos. Elle a donné à Union l'autorisation de construire les installations envisagées, sous réserve de certaines conditions. TCPL a interjeté appel de la décision, arguant que seul l'Office national de l'énergie est habilité à statuer sur ce type de question. La Cour

divisionnaire a maintenu la décision de la CÉO.

Pipeline de stockage Dawn 156 EBL 227

Dans une lettre à la Commission datée du 6 juin 1988, M. Ken McGregor a porté plainte contre Union, qui construisait un pipeline NPS 30 traversant la propriété McGregor dans le canton de Dawn. Union a répliqué que le pipeline était nécessaire pour accroître de 3,8 milliards de pieds cubes la capacité du réservoir sous-jacent à la propriété. La compagnie a soutenu qu'il s'agissait d'un pipeline de collecte, et non de transport, et qu'elle avait le droit de pénétrer sur les terres en question, celles-ci étant situées dans la zone de stockage désignée, sans l'autorisation préalable de la Commission.

La Commission a émis une ordonnance de procédure, datée du 30 juin 1988, sommant Union d'interrompre sur le champ les travaux de construction et de comparaître devant elle le 6 juillet. Une fois la situation étudiée, la Commission a rendu une décision provisoire dans laquelle elle a conclu que le pipeline était une conduite de transport, et elle a avisé tous les intéressés qu'elle prendrait connaissance des preuves se rapportant à cette question. Dans sa décision du 15 août 1988, la Commission a jugé que le pipeline était nécessaire pour répondre aux besoins de stockage d'Union et des clients auxquels elle fournissait des services de stockage. La Commission a révoqué son ordonnance de cessation des travaux et a accordé à Union l'exemption voulue pour construire le pipeline de transport.

Union avait présenté une demande d'appel de la décision de la Commission devant la Cour divisionnaire de l'Ontario en faisant valoir qu'elle était autorisée à construire des pipelines dans une zone de stockage désignée sans l'aval de la Commission. La Cour a rejeté cette demande, confirmant ainsi que la Commission avait compétence en la matière. Union a aussi été déboutée d'une nouvelle demande d'appel contre la décision de la Cour.

Programme d'agrandissement des installations de transport de Strathroy et de Beachville EBL 230

Le 20 octobre 1988, Union a proposé la construction de deux tronçons de pipeline NPS 42 pour doubler son réseau de transport de Dawn-Trailgar, soit un tronçon de 18 kilomètres depuis le poste de livraison de Strathroy à la station de compression de Lobo, et un tronçon de 20 kilomètres allant de la station de transport de Beachville à la station de compression de Bright. Les nouveaux pipelines permettraient à Union de compléter son programme de doublement entre la station de compression de Dawn et l'antenne de Kirkwall, et de faire face à la demande sans cesse plus grande de services de transport réclamés par ses clients.

Les installations proposées ont fait l'objet d'une audience le 6 décembre 1988 et ont reçu l'autorisation de la Commission le 14 février 1988.

DEMANDES RELATIVES AU STOCKAGE DE GAZ

TECUMSEH

Désignation du réservoir de Dow-Moore EBO 147

Le 26 janvier 1988, Tecumseh a demandé à la Commission de désigner comme zone de stockage un gisement de gaz épuisé dans le canton de Moore, connu sous le nom de réservoir Dow-Moore 3-21-XII. La compagnie a également demandé l'autorisation d'injecter et de stocker du gaz dans le réservoir de Dow-Moore, et d'en retirer.

La Commission a constaté que ce réservoir, propriété conjointe de Tecumseh et de Union, constitue le plus important récif à pinacles inexploité connu dans le Sud-Ouest de l'Ontario qui soit apte à servir au stockage du gaz. Dans le rapport qu'elle a soumis le 2 mai 1989 au lieutenant-gouverneur en conseil, la Commission a recommandé que les terrains surplombant le réservoir soient désignés comme zone de stockage. Cela fait, elle a aussi autorisé Tecumseh à injecter et stocker du gaz dans le réservoir et à en retirer, sous réserve de certaines conditions.

Pipeline de renforcement Peterborough-Lindsay EBLO 225 (PL 62), EBC 184, 185, 186; EBA 494, 495, 496
 Le 26 mai 1988, la Commission a entendu des demandes présentées par Consumers en vue de construire un tronçon de pipeline NPS 12 de 31 kilomètres traversant les cantons de Hope et Cavan. Selon la compagnie, ce pipeline présenterait l'avantage de renforcer l'actuel réseau de Consumers dans la région de Peterborough, d'offrir à ce marché une seconde source d'approvisionnement et de desservir les abonnés établis en bordure du tracé. Consumers voulait également l'autorisation de fournir et de distribuer du gaz dans les cantons de Hope, Hamilton et South Monaghan, qui pourraient être desservis à partir du pipeline projeté.

La Commission, dans sa décision du 22 juillet 1988, a approuvé la construction du pipeline, jugeant qu'il était nécessaire pour garantir un approvisionnement sûr et raisonnable dans les régions de Peterborough et de Lindsay. Quant aux demandes visant à desservir les cantons de Hope et de Hamilton, la Commission les a rejetées en faisant valoir qu'ICG fournissait déjà un service adéquat dans ces cantons en vertu de franchises et de certificats existants.

ICG

Horseshoe Valley EBLO 228; EBC 187, 139-B; EBA 503

ICG a demandé l'autorisation de construire des tronçons de pipeline NPS 4 et NPS 2 d'environ 8,5 kilomètres pour desservir de nouveaux clients de la région de Horseshoe Valley, dans les cantons d'Oro et de Medonte. Consumers est intervenue à cette audience en demandant qu'on lui permette d'étudier les avantages de la construction d'un nouveau pipeline desservant la région de Horseshoe Valley.

Dans sa décision du 20 octobre 1988, la Commission a mis son jugement en délibéré, en attendant de recevoir des renseignements sur un projet de construction résidentiel envisagé dans la région. Elle a également encouragé ICG et Consumers à songer à construire ensemble un branchement sur l'actuel réseau de Consumers.

Prices Corners EBLO 229

ICG a demandé à la Commission l'autorisation de construire un tronçon de pipeline NPS 4 de 2,2 kilomètres dans le comté de Simcoe en vue de desservir la collectivité de Prices Corners, située dans les cantons d'Oro et de Medonte. Consumers, qui détient les droits de distribution du gaz naturel dans ces deux cantons, est intervenue pendant l'audience pour réitérer son intention de desservir Prices Corners. La Commission, dans sa décision du 20 octobre 1988, a rejeté la demande d'ICG.

UNION

Pipeline St Clair EBLO 226/226A

Union a demandé l'autorisation de construire un tronçon de pipeline NPS 24 de 11,73 kilomètres, allant du poste de vanne que l'on envisage d'installer à St Clair à la station de ligne industrielle projetée pour Sarnia, dans le canton de Moore, pour continuer ensuite jusqu'à la station de compression du réservoir de Bickford, dans le canton de Sombré. Les parties en cause ont présenté leurs preuves du 16 au 20 juin 1988, et l'argumentation orale a été entendue le 24 juin. Par la suite, TCPL a demandé l'autorisation de présenter un complément de preuves qui, selon elle, se rapportait à la question de savoir si la Commission avait ou non compétence pour rendre une décision au sujet d'un pipeline qui servirait directement à assurer les mouvements de gaz de part et d'autre d'une frontière internationale. L'audience a donc repris le 16 août 1988.

Dans sa décision du 1^{er} septembre 1988, la Commission a jugé que les installations projetées seraient dans l'intérêt du public. Plus particulièrement, elles amélioreraient l'accès aux réserves de gaz américaines, qui reposent sur une base plus large, et offriraient des solutions de rechange en matière de transport; elles se traduiraient par un approvisionnement plus sûr grâce à la diversification des sources; elles complèteraient les installations de stockage déjà aménagées en Ontario en offrant accès aux zones de stockage du Michigan et en permettant l'intégration des deux réseaux de stockage. Enfin, le gaz américain acheté à des prix fermes ou au jour le jour étant plus facile à obtenir et à stocker, Union et les clients auxquels elle fournit des services de stockage et de transport disposeraient de nouveaux leviers de pression lorsque viendrait le moment de négocier le prix des volumes primaires de gaz en provenance de l'Ouest canadien.



Cholas Belak, agent chargé l'examen du rendement régétique, étudie une fiche minique déposée par des mpanies de services lics.

Katy Chu fournit des services de secrétariat dans le cadre de la préparation d'une décision de la CEO.



Coût du gaz EBR0 456-4

recettes à 24,687 millions de dollars. La Commission a enjoint à Union de rembourser 10,1 millions de dollars à ses abonnés, compte tenu des économies prévues suite à la réforme fiscale. Elle a également ordonné à la compagnie de réduire ses tarifs à compter du 1^{er} novembre 1988, ayant constaté qu'avec les tarifs en vigueur, Union aurait réalisé des recettes excédentaires de 14,587 millions de dollars sur une base annuelle, sans compter les effets de la réforme fiscale. Ses conclusions étaient essentiellement fondées sur des rajustements des prévisions du débit total émises par Union et sur un rendement des actions ordinaires de 13,75 pour cent.

Du 4 au 20 janvier 1989, la Commission a commencé à entendre les preuves à l'appui de la majoration tarifaire demandée par Union pour 1990. Elle a décidé de reporter jusqu'en avril 1989 l'examen de la partie de la requête concernant la structure tarifaire et la répartition des coûts, afin de se donner le temps d'étudier les ententes sur le coût du gaz renégociées entre Union et WGM. À la fin de son exercice financier, la Commission ne s'était pas encore prononcée sur la demande déposée par Union pour que l'on considère 1990 comme un exercice de référence.

Le 31 août 1988, Union Gas a demandé à la Commission d'émettre une ordonnance fixant des tarifs justes et raisonnables pour la vente, le stockage et le transport du gaz, ainsi qu'une ordonnance imposant la prise en compte, dans les tarifs, des coûts du gaz prévus par les ententes d'achat conclues avec TCPL et WGM pour la période de livraison commençant le 1^{er} novembre 1988. Le 25 novembre 1988, Union et WGM sont parvenues à une entente de principe sur de nouveaux arrangements visant l'approvisionnement à long terme, qui devait prendre effet le 1^{er} février 1989, et elles ont conclu des arrangements provisoires sur la fixation des prix pour la période allant du 1^{er} novembre 1988 au 31 janvier 1989. En janvier 1989, WGM et Union ont ratifié le nouveau contrat d'approvisionnement.

En vertu de ces nouvelles ententes, les anciens contrats étaient divisés en deux composantes séparées, l'une portant sur l'approvisionnement et l'autre sur le transport. L'arrangement conclu entre Union et WGM pour la vente de gaz comprend deux blocs, soit un bloc A d'une durée de douze ans, et un bloc B d'une durée de trois ans. Le volume total de gaz à prendre dans le cadre de ce contrat en 1989 se chiffre à 104 milliards de pieds cubes. Le bloc B représente les volumes destinés à ceux des abonnés d'Union qui ont conclu des arrangements RGD avec WGM. Cet arrangement contient une clause permettant l'annulation des contrats portant sur 10 pour cent des volumes de gaz carburant jusqu'au 31 octobre 1989, et prévoit, pour l'année suivante, la possibilité de sous-traiter des volumes supplémentaires à l'application des dispositions des contrats.

Union, à la différence des autres distributeurs de l'Ontario, n'a pas signé de contrat de transport de longue durée avec TCPL. Dans le contrat d'approvisionnement figure une clause autorisant le partage de toute surcapacité qu'Union pourrait avoir sur le réseau de TCPL. L'audience s'est déroulée du 2 au 17 mars, et les plaidoyers finals ont été entendus le 4 avril.

Dans sa décision du 14 avril 1989, la Commission a approuvé, aux fins de tarification, le coût du gaz prévu par le contrat WGM pendant les deux premières années, ainsi que par d'autres contrats d'approvisionnement.

DEMANDES RELATIVES À DES INSTALLATIONS

CONSUMERS

Poste de livraison Rugby et pipeline de renforcement à la baie Georgienne
EBLO 223, EBC 182, 183, EBA 492, 493

La Commission, dans sa décision du 8 juin 1988, a approuvé la demande présentée par Consumers en vue de la construction d'un tronçon de pipeline NPS 8 de 48 kilomètres dans le comté de Simcoe pour renforcer son réseau d'approvisionnement desservant la région de Midland, qui fonctionnait à pleine capacité. La Commission a jugé que le nouveau pipeline offrirait effectivement aux consommateurs de la baie Georgienne un approvisionnement plus sûr. Par la même occasion, Consumers avait demandé à la Commission d'émettre des certificats de commodité et de nécessité publiques et d'approuver les accords de franchise municipale conclus avec le village de Coldwater et le canton de Medonte, étant donné que ces deux régions pouvaient également être desservies par le nouveau pipeline. La Commission a approuvé ces demandes.

La Commission a rendu sa décision le 20 septembre 1988. Désormais consciente des graves conséquences financières imposées à certains clients par la nouvelle structure basée sur des tarifs à souscription-à l'unité consommée, et notamment aux clients à faible coefficient d'utilisation, la Commission a conclu que la date d'entrée en vigueur de la nouvelle structure tarifaire d'ITCG devait être le 1^{er} janvier 1988, et que les factures des clients en cause seraient rétroactivement rajustées selon une moyenne par catégorie pour la période s'étendant du 20 février au 31 décembre 1987.

NRC

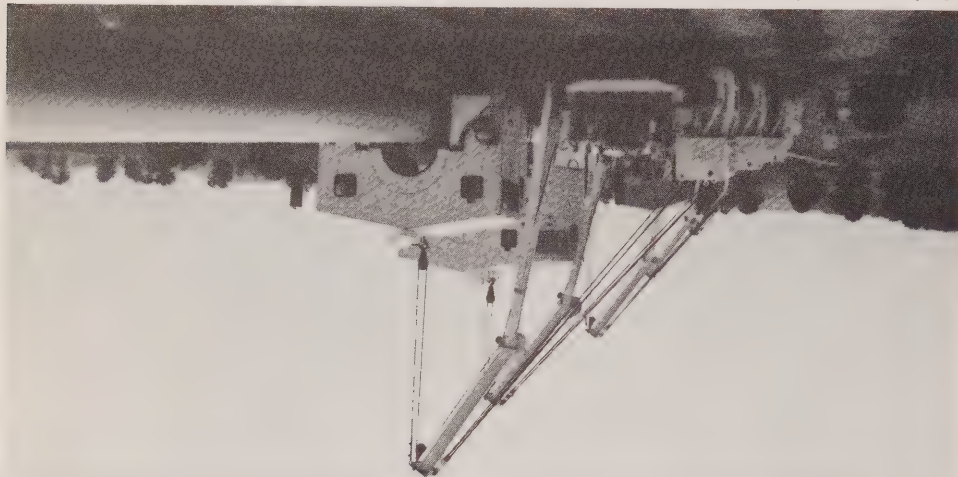
Redressement tarifaire provisoire EBRÖ 451-1

Dans une lettre datée du 19 octobre 1988, NRC a demandé un redressement tarifaire provisoire afin de recouvrer un déficit accumulé dans un compte de report établi par la Commission pour déterminer les écarts entre le coût prévu du gaz et son coût réel. La Commission, dans sa décision provisoire du 22 mars 1989, a autorisé NRC à inscrire 134 745 dollars au compte en date du 30 septembre 1988. Elle a indiqué en outre que les intérêts afférents à ces coûts devaient y être inscrits eux aussi. Toutefois, elle a refusé d'accorder les mesures de redressement demandées, du fait que la compagnie n'avait pas présenté suffisamment de preuves pour justifier le recouvrement de ces montants par voie tarifaire. Elle a demandé à NRC d'avancer des éléments de preuve supplémentaires à l'appui de sa revendication lors de la prochaine audience d'examen de ses tarifs principaux.

UNION

Demande relative aux tarifs principaux EBRÖ 456

Le 31 août 1988, Union a demandé à la Commission d'autoriser une majoration de ses tarifs pour l'exercice financier 1990 afin de compenser une insuffisance de recettes prévue de 32,065 millions de dollars. Par la suite, Union a ramené ce chiffre à 16,546 millions de dollars pour tenir compte des incidences de la réforme fiscale fédérale et de nouvelles prévisions fondées sur les résultats du deuxième trimestre de l'exercice 1989. L'insuffisance était calculée en fonction d'un rendement de 14,875 pour cent des actions ordinaires et d'un ratio de capitaux propres de 29 pour cent.



Machines à souder automatiques utilisées lors de la construction du pipeline NPS 42 approuvée par la Commission (EBLO 230)

La Commission, de sa propre initiative, a effectué un examen limité de l'exercice 1989 de Union pour étudier le niveau de rendement approprié des actions ordinaires, de la dette à court et à long terme et des actions privilégiées; la base de tarification; les recettes de stockage et de transport; les volumes de gaz non comptabilisés; les prévisions quant au volume total débité; et les coûts de main-d'œuvre. Cet examen a débuté le 7 novembre 1988 et a pris fin neuf jours tard. Dans la décision qu'elle a rendue le 20 mars 1988, la Commission a établi la base de tarification à 1,026 milliard de dollars, le taux de rendement autorisé à 11,9 pour cent et l'excédent total des

Coût du gaz EBR0 452-3

Par le biais d'un protocole d'entente daté du 12 octobre 1988 (et modifié le 12 décembre), Consumers et WGMML ont établi les conditions de nouveaux contrats régissant les ventes de gaz à des tarifs séparés. Consumers a conclu par ailleurs un contrat distinct de transport de gaz avec TCPL. Dans un avis de motion en date du 19 octobre 1988, Consumers a demandé à la Commission d'approuver, aux fins de tarification, le coût du gaz prévu par ce contrat pour la première et la seconde années contractuelles auxquelles il se rapporte. L'entente devait entrer en vigueur le 1^{er} janvier 1989, à condition que la Commission accorde son autorisation au plus tard le 20 avril 1989. En outre, elle a été priée d'approuver les coûts du gaz prévus par des contrats que la compagnie avait conclus pour faire face aux périodes de pointe hivernales et à d'autres besoins de longue durée.

Comme on l'a expliqué précédemment dans la partie intitulée « Audiences relatives au coût du gaz », le contrat de vente conclu avec WGMML répartit le gaz vendu en deux blocs dont le prix est fixé à l'avance pour les deux premières années. Dans le contrat passé avec Consumers, le bloc A consiste en 150 milliards de pieds cubes sur quinze ans, et le bloc B, en 38 milliards de pieds cubes sur cinq ans, avec possibilité de renouvellement annuel par la suite. À compter du début de la troisième année du contrat, les deux parties négocieront le prix du gaz pour les deux blocs. Au cas où les clients de Consumers décideraient de s'approvisionner directement auprès des producteurs, le contrat permet une éventuelle réduction du volume des deux blocs. WGMML et Consumers se sont également entendus pour partager toute surcapacité de transport que Consumers pourrait avoir sur le réseau de TCPL.

L'audience a débuté le 6 février 1989 et s'est terminée le 13 mars par la présentation de la contre-argumentation de Consumers. Dans sa décision rendue le 14 avril 1989, la Commission a approuvé, aux fins de tarification, le coût du gaz prévu pendant les deux premières années par le contrat conclu avec WGMML et par d'autres contrats d'approvisionnement.

ICC

Examen par la Commission

ICC n'a présenté aucune demande de révision tarifaire à la Commission pour son exercice financier 1989. L'agent chargé de l'évaluation du rendement énergétique de la Commission, après avoir étudié les données financières pertinentes, a recommandé qu'ICC soit exemptée d'un examen public des tarifs.

Coût du gaz EBR0 440-2

Le 11 octobre 1988, ICC a conclu une entente avec TCPL et WGMML pour la fourniture et le transport de gaz et d'une entente d'exploitation sur le transport, tous deux conclus avec WGMML, ainsi que de contrats de transport passés avec TCPL pour les différentes zones de livraison du réseau ICC. L'entente d'ICC prévoyait des blocs de gaz d'une durée de quinze et de cinq ans; elle a remplacé les contrats de service à débit souscrit conclus avec TCPL. L'entente précédente d'ICC relative à la fixation des prix était arrivée à expiration le 31 octobre 1988. Du 1^{er} novembre au 31 décembre 1988, conformément à l'entente de 1986 et à son amendement de 1987, ICC s'est approvisionnée auprès de WGMML/TCPL, et les contrats portant sur les débits souscrits sont restés en vigueur durant cette période.

Dans sa décision du 14 avril 1989, la Commission a approuvé, aux fins de tarification, le coût du gaz prévu par le contrat WGMML pendant les deux premières années.

Demande de réouverture du dossier relatif à la Phase II d'ICC, déposée par Falconbridge Limited

EBR0 411-III-A, 430-II-A

Le 17 juin 1988, Falconbridge, client industriel d'ICC, a demandé à la Commission d'éclaircir, de revoir ou de soumettre à une nouvelle audience sa décision du 20 mai 1988, qui portait sur des questions de répartition des coûts et de structure tarifaire intéressant ICC. Dans sa demande, Falconbridge exprimait le souhait que les ajustements rétroactifs entrant en vigueur le 20 février 1987 soient calculés en fonction d'une moyenne par catégorie plutôt que client par client, en vertu de la nouvelle structure basée sur des tarifs à souscription-à l'unité consommée, appliquée aux gros clients industriels d'ICC.

Demande relative aux tarifs principaux — Consumers

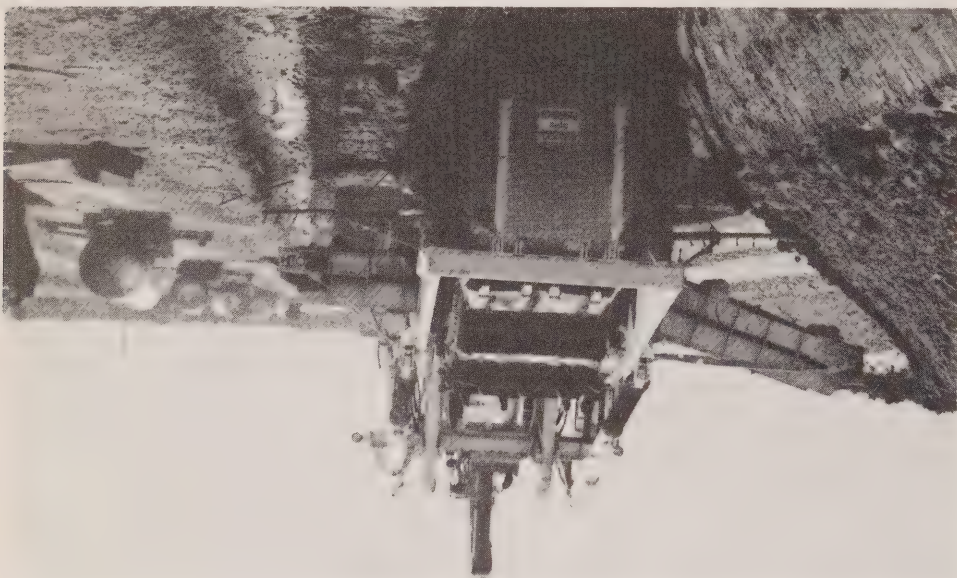
Demande	Autorisé	millions de dollars			
		1500,9	203,3	38,3	
Base de tarification		1516,5	199,4	17,2	
Revenues de la compagnie					
Revenus excédentaires bruts					
Taux de rendement indiqué		13,15	12,52	13,54	
Taux de rendement nécessaire					
Ratio des actions ordinaires		35,00	12,06	35,00	
Rendement des capitaux propres		14,375	13,50	13,50	

Engagements EBRLC 30 A/B

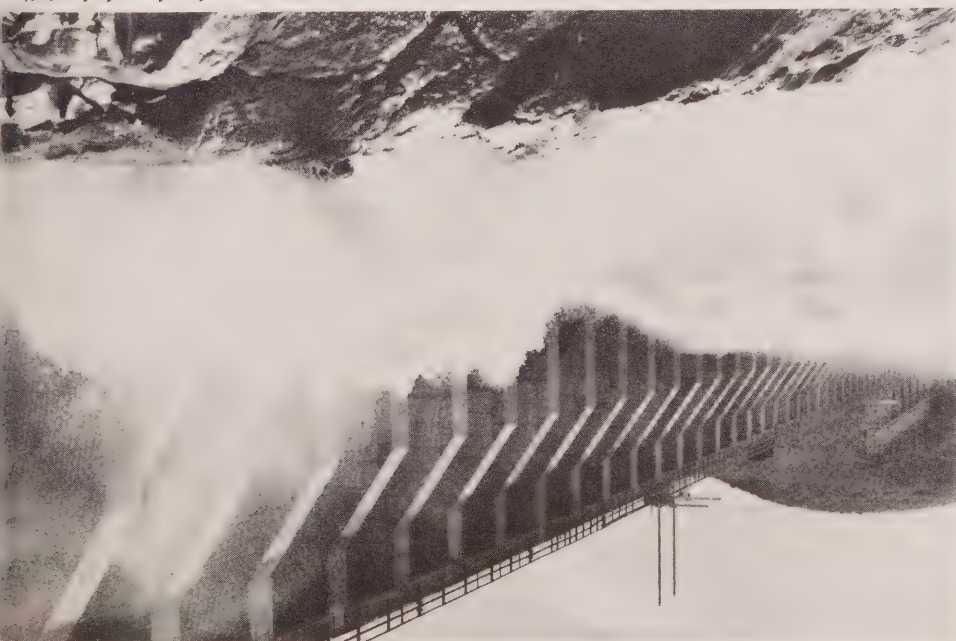
Le 3 février 1988, Consumers a demandé l'autorisation de financer par l'emprunt sa filiale Gazifère Inc. et de continuer à investir dans Arbor Living Centres Inc. par l'intermédiaire de Congas Holdings, une autre filiale. Ces demandes ont été présentées suite aux engagements que la compagnie avait pris vis-à-vis du lieutenant-gouverneur en conseil le 4 mars 1987. L'audience a débuté le 3 mai 1988, et les arguments ont été présentés verbalement le lendemain.

Dans sa décision du 30 juin 1988, la Commission a fait observer que la demande soulevait plusieurs questions à propos de l'ampleur et du degré de diversification qui pourrait être autorisée chez la compagnie de services publics, et au sujet des critères à appliquer pour fixer des limites prudentes à ce genre d'investissement. Tout en indiquant que le niveau actuel d'investissements pourrait être maintenu, sous réserve de certaines conditions, la Commission a demandé instamment à Consumers de s'abstenir d'accroître ses investissements ou sa participation dans Arbor, soit directement, soit par l'intermédiaire de Congas ou de toute autre filiale, au-delà de la limite actuelle. La Commission a approuvé le financement subsidiaire proposé pour Gazifère, sous réserve sous forme d'emprunts connexes contractés par Arbor.

La Commission a approuvé le financement subsidiaire proposé pour Gazifère, sous réserve de certaines conditions. Elle a cependant fait remarquer que les emprunts contractés par des filiales non réglementées ne devaient jamais constituer plus qu'une faible part des investissements à long terme effectués par la compagnie. La décision prise au sujet de ces questions est en instance d'appel devant la Commission.



La centrale électrique Otto Holden, installation de 243 mégawatts située en bordure de la rivière des Outaouais, approvisionne les abonnés d'Ontario Hydro en énergie depuis les années cinquante.



DEMANDES DE RÉVISION DES TARIFS DU GAZ NATUREL CONSUMERS

Demande relative aux tarifs principaux EBR0 452

Le 28 mars 1988, Consumers a présenté à la Commission une demande d'augmentation de ses tarifs pour son exercice 1989 commençant le 1^{er} octobre 1988, afin de compenser une insuffisance prévue des recettes brutes évaluée à 9,7 millions de dollars. Par la suite, de nouveaux calculs ont trans-formé ce déficit en surplus de 17,2 millions de dollars sur la base d'un rendement des capitaux propres de 14,375 pour cent et d'un ratio des actions de 35 pour cent. Commencée le 20 juillet 1988, l'audience a été ajournée 18 jours plus tard, pour reprendre le 6 septembre; elle s'est terminée le 20 septembre. La seconde phase portait essentiellement sur la répartition des coûts et l'établissement de la structure tarifaire.

Au cours de l'audience, la Commission a ordonné une réduction tarifaire de 0,1433 cent le mètre cube à compter du 19 juillet 1988, en raison d'un excédent de recettes évalué à 13,7 millions de dollars par Consumers pour l'exercice 1988. Dans sa décision avec motifs du 21 décembre 1988 la Commission a évalué à 36,2 millions de dollars le surplus des revenus bruts pour l'exercice 1989 sur la base d'un rendement des capitaux propres de 13,5 pour cent et d'un ratio des actions ordinaire de 35 pour cent. Le 12 janvier 1989, dans un additif à sa décision, la Commission a rajusté le coût du gaz pour tenir compte de certains coûts rattachés aux transactions d'achat et de vente. Cet additif portait à 38,3 millions de dollars le surplus de recettes brutes pour l'exercice 1989. Le 18 janvier 1989, Consumers a présenté une demande de l'article 30 visant à faire examiner et modifier certaines parties de la décision du 21 décembre 1988. La compagnie arguait qu'elle ne pourrait atteindre le taux de rendement permis des capitaux propres si la Commission continuait d'imposer un plafond sur le taux de rendement autorisé pour les tarifs appliqués à certains clients. Dans sa décision du 6 février 1989, la Commission, tout en réaffirmant que les tarifs devaient s'aligner davantage sur les coûts, a autorisé la compagnie à se rapprocher progressivement de ce objectif. Elle a aussi établi un compte de report pour pallier à une éventuelle insuffisance de recettes

- le gouvernement devrait encourager des investissements prudents en vue d'accroître la capacité de stockage;
- la Commission devrait examiner périodiquement les préoccupations exprimées au sujet des approvisionnements en gaz et de toute question connexe;
- le gouvernement devrait publier des directives pour permettre au public de mieux comprendre les pratiques contractuelles en vigueur dans l'industrie;
- il y aurait lieu d'encourager les parties intéressées à signer des contrats de longue durée, sans les assortir de conditions ou normes obligatoires;
- les contrats régissant les arrangements de transport pour les clients qui achètent directement ou qui achètent pour revendre devraient être conclus pour une durée de trois ans, à moins que la Commission n'accorde une exemption;
- il serait souhaitable de concevoir des politiques permettant de mettre toute surcapacité de transport à la disposition d'autres distributeurs ou acheteurs directs de l'Ontario;
- il n'y aurait pas lieu de définir un « marché de base », ni de limiter les consommateurs, quels qu'ils soient, dans leur choix d'un fournisseur;
- le gouvernement devrait étudier l'opportunité de constituer une réserve stratégique de gaz à utiliser pendant les périodes où les approvisionnements sont insuffisants en Ontario.

AUDIENCES RELATIVES AU CÔTÉ DU GAZ EBRRO 440-2, 452-3, 456-4

Comme elle l'a signalé dans son *Rapport annuel* de l'an dernier, la Commission a rendu publiques, le 22 janvier 1988, trois décisions simultanées concernant les nouvelles ententes négociées par les trois principales compagnies de gaz de la province (Consumers, ICG et Union) avec Western Gas Marketing Limited (WGM). La Commission a ainsi approuvé la prorogation de ces ententes pendant un an, soit jusqu'au 31 octobre 1988, afin de favoriser le développement d'un marché plus concurrentiel.

En août et octobre 1988, les trois compagnies ont demandé à la Commission d'approuver, aux fins d'établissement de leurs tarifs, le coût du gaz à fournir en vertu de contrats qu'elles venaient de négocier avec WGM. Ces trois contrats de vente se ressemblent du point de vue de leur structure, en ce sens que le gaz est vendu en deux blocs, l'un et l'autre à un tarif de 2,20 dollars par gigajoule, le bloc A étant toutefois destiné au 'groupe des clients essentiels', et négocié pour une période plus longue (quinze et douze ans). Le prix de ce bloc comprend une prime fixe de 0,60 dollar par gigajoule pour toute la durée du contrat. Quant au bloc B, qui représente un volume plus modeste, il est négocié pour une période moins longue (cinq ou trois ans) et est destiné aux gros utilisateurs.

À l'issue d'audiences tenues en février et mars 1989, la Commission a rendu trois décisions datées du 14 avril 1989, par lesquelles elle approuvait, aux fins de tarification, le coût du gaz prévu dans les contrats passés avec WGM. Les détails des modalités applicables à chaque compagnie sont présentés ci-après.

EXAMEN DES ACTIVITÉS LIÉES À L'ONTARIO HYDRO

PROPOSITION RELATIVE AUX TARIFS DE VENTE EN GROS D'ÉLECTRICITÉ HR 17

Le 19 avril 1988, le ministre de l'Énergie a soumis à la Commission la proposition d'Ontario Hydro, qui souhaitait augmenter ses tarifs à compter du 1^{er} janvier 1989. Cette proposition prévoyait une majoration moyenne de 5,5 pour cent touchant l'ensemble de sa clientèle, et était calculée en fonction d'un revenu minimum nécessaire de 5 942 millions de dollars, soit 495 millions de dollars de plus que les recettes de 1988.

Dans son rapport, la Commission a recommandé que le tarif général moyen soit relevé de 5,8 pour cent et qu'Ontario Hydro verse au gouvernement provincial un droit de garantie de dette de 25 millions de dollars. En tout, la Commission a présenté 46 recommandations au ministre de l'Énergie. Elle a aussi exprimé son inquiétude au sujet de plusieurs problèmes : durée des audiences trop limitée pour permettre d'éclaircir toutes les questions posées; degré de contrôle exercé sur les coûts d'exploitation, d'entretien et d'administration d'Ontario Hydro; et répartition des fonds de gestion de la demande détenus par Ontario Hydro.

Thomas, secrétaire de la Commission, donne suite à la demande soumise à la



EBA	513	Union	Canton de Camden
EBA	514	Union	Canton de Chatham
EBA	515	Union	Canton de Dover
EBA	516	Union	Canton de Harwich
EBA	517	Union	Canton de Howard
EBA	518	Union	Canton d'Orford
EBA	519	Union	Canton de Raleigh
EBA	520	Union	Canton de Romney
EBA	521	Union	Canton de Tilbury est
EBA	522	Union	Canton de Zone
EBA	523	Union	Ville de Forest
EBA	524	Union	Ville de Parkhill
EBA	525	Union	Village d'Arkona
EBA	526	Union	Village d'Alisa Craig
EBA	527	Union	Village de Thedford
EBA	528	Union	Canton de Bosanquet
EBA	529	Union	Canton de Williams est
EBA	530	Union	Canton de Williams ouest
EBA	531	Union	Comté de Lambton
EBA	532	Consumers	Village de Port McNicholl

Certificats de commodité et de nécessité publiques

EBC	139-B	ICG	Canton d'Oro
EBC	182	Consumers	Village de Coldwater
EBC	183	Consumers	Canton de Medonte
EBC	184	Consumers	Canton de Hope
EBC	185	Consumers	Canton de Hamilton
EBC	186	Consumers	Canton de Monaghan sud
EBC	187	ICG	Canton de Medonte

Ordonnances de comptabilité uniforme
U4 076 ICG

Report des coûts relatifs à certaines audiences

Rapports au ministre des Richesses naturelles

EBRM	89	Tecumseh	Permis de forage dans le réservoir de Dow-Moore
EBRM	90	Tecumseh	Permis de forage dans le réservoir de Kimball-Colinville
EBRM	91	Union	Permis de forage dans le réservoir Dawn 156
EBRM	92	Tecumseh	Permis de forage dans le réservoir de Kimball-Colinville

LES ACTIVITÉS DE LA CÉO : QUELQUES EXEMPLES

AUDIENCE RELATIVE À LA SÉCURITÉ DE L'APPROVISIONNEMENT EBR LG 32

À la demande du lieutenant-gouverneur en conseil, faite par renvoi daté du 19 mai 1988, la Commission a tenu une audience pour examiner plusieurs questions ayant trait aux besoins actuels et futurs des consommateurs de l'Ontario en matière d'approvisionnement en gaz. Pendant les quatorze jours qu'a duré l'audience, des représentants de tous les secteurs de l'industrie du gaz ont pris part aux délibérations (producteurs, courtiers, transporteurs, distributeurs et usagers). La Commission a présenté son rapport intérimaire en août 1988, qu'elle a fait suivre en novembre de son rapport final, dans lequel figuraient les recommandations suivantes :

REQUÉRANT/AUTEUR	DE LA DEMANDE	OBJET	Autres ordonnances de la Commission de l'énergie de l'Ontario		Exemptions relatives aux pipelines	
N° DE DOSSIER						
PL	63	Union	Pipeline du village de Burford	Union	PL	63
PL	64	Union	Pipeline du chemin Towerline (cantons de Norwich et Burford)	Union	PL	64
PL	65	Union	Pipeline du chemin Towerline (canton de Burford)	Union	PL	65
PL	66	Union	Pipeline du canton de Caradoc	Union	PL	66
PL	67	Union	Pipeline de stockage de Sombra (canton de Lambton)	Union	PL	67
PL	68	Union	Pipeline de stockage d'Enniskillen (canton de Lambton)	Union	PL	68
PL	69	ICG	Pipeline reliant la ligne de TCPL à la centrale de cogénération de Northland Power à Cochrane	ICG	PL	69
EBO	147	Tecumseh	Désignation du réservoir de Dow-Moore	Tecumseh	EBO	147
EBO	149	Union	Contrat de stockage et de transport pour la Commission des services publics de Kingston	Union	EBO	149
EBO	150	Union	Contrat de stockage et de transport pour Consumers	Union	EBO	150
EBO	154	Union	Entente de stockage pour Tarpon Gas Marketing	Union	EBO	154
EBO	155	Union	Demande relative au transport sous contrat pour C-I-L	Union	EBO	155
EBO	156	Tecumseh	Contrat de stockage pour Consumers	Tecumseh	EBO	156
EBO	158	Union	Entente de stockage et de transport pour Dometar	Union	EBO	158
EBA	405/472	Union	Ville de Blenheim	Union	EBA	405/472
EBA	470	Consumers	Comté de Victoria	Consumers	EBA	470
EBA	473	Consumers	Ville de Shelburne	Consumers	EBA	473
EBA	474	Consumers	Ville de Caledon	Consumers	EBA	474
EBA	475	Consumers	Ville d'Innisfil	Consumers	EBA	475
EBA	476	Consumers	Canton d'Amaranth	Consumers	EBA	476
EBA	477	Consumers	Ville de Whitby	Consumers	EBA	477
EBA	479	Consumers	Canton de Mulmur	Consumers	EBA	479
EBA	488	Consumers	Canton de Melancthon	Consumers	EBA	488
EBA	489	Consumers	Canton de Cavan	Consumers	EBA	489
EBA	490	ICG	Cité de Sault-Sainte-Marie	ICG	EBA	490
EBA	491	ICG	Canton d'Augusta	ICG	EBA	491
EBA	494	Consumers	Canton de Hope	Consumers	EBA	494
EBA	495	Consumers	Canton de Hamilton	Consumers	EBA	495
EBA	496	Consumers	Canton de Monaghan sud	Consumers	EBA	496
EBA	498	ICG	Canton d'Hamilton	ICG	EBA	498
EBA	499	ICG	Canton d'Onabruk	ICG	EBA	499
EBA	500	ICG	Canton de Frederickburgh nord	ICG	EBA	500
EBA	501	ICG	Canton de Kingston	ICG	EBA	501
EBA	502	Consumers	Canton de Seymour	Consumers	EBA	502
EBA	503	ICG	Canton de Medonte	ICG	EBA	503
EBA	504	Union	Comté de Kent	Union	EBA	504
EBA	505	Union	Cité de Chatham	Union	EBA	505
EBA	506	Union	Ville de Dresden	Union	EBA	506
EBA	507	Union	Ville de Tilbury	Union	EBA	507
EBA	508	Union	Village d'Erle Beach	Union	EBA	508
EBA	509	Union	Village de Highgate	Union	EBA	509
EBA	510	Union	Village de Wheatley	Union	EBA	510
EBA	511	Union	Village de Wyoming	Union	EBA	511
EBA	512	Union	Canton d'Adelaide	Union	EBA	512

RÉCAPITULATION DES ACTIVITÉS

Résumé des activités de la Commission de l'énergie de l'Ontario entre le 1^{er} avril 1988 et le 31 mars 1989

- 10 ORDONNANCE DE LA COMMISSION**
- Une ordonnance de la Commission est un document juridique sommant les parties citées de mettre à exécution la décision de la Commission. Elle a force exécutoire.
- 11 RÉVISION ET APPEL**
- On peut interjeter appel d'une décision ou d'une ordonnance de la Commission comme suit :
- en demandant à la Commission d'annuler ou de modifier son ordonnance;
 - en adressant une pétition au lieutenant-gouverneur en conseil;
 - en interjetant appel de l'ordonnance de la Commission devant la Cour divisionnaire sur une question de droit ou de compétence juridique;
 - en demandant à la Cour divisionnaire de procéder à une révision judiciaire de la décision de la Commission.

N° DE DOSSIER	REQUÉRANT/AUTEUR	OBJET
---------------	------------------	-------

EBRO 411-III-A/430II-A Falconbridge	ICG	Clarification/nouvelle audience à propos des tarifs d'ICC
EBRO 440-2	ICG	Récupération des coûts du gaz dans le cadre de contrats conclus avec WGM
EBRO 451-1	NRC	Récupération intérieure des coûts différés du gaz
EBRO 452	Consumers	Redressement des niveaux et de la structure des tarifs pour les exercices financiers 1988 et 1989
EBRO 452-3	Consumers	Récupération des coûts du gaz dans le cadre de contrats conclus avec WGM
EBRO 455-1	Tecumseh	Récupération intérieure des coûts encourus dans le cadre des immobilisations liées à l'aménagement du réservoir de Dow-Moore
EBRO 456	Union	Redressement des niveaux et de la structure des tarifs pour les exercices financiers 1988 et 1989
EBRO 456-4	Union	Récupération des coûts du gaz dans le cadre de contrats conclus avec WGM

Renvoi de la part du ministre de l'Énergie au sujet d'Ontario Hydro

HR 17

Ministère de l'Énergie

Tarifs pour 1989

Renvoi de la part du lieutenant-gouverneur en conseil

EBRLG 30A/B

Consumers

Engagements

Sécurité de l'approvisionnement

EBRLG 32

CEO

Construction de pipelines et expropriations

EBLO 223

Consumers

Poste de livraison de Rugby et pipeline de renfort de la baie

EBLO 224

Tecumseh

Aménagement du réservoir de stockage de Dow-Moore et

EBLO 225

Consumers

construction d'un pipeline

EBLO 226

Union

Pipeline St Clair

EBLO 226A

TCPL

Compétence en ce qui concerne le pipeline St Clair

EBLO 227

Union

Pipeline de stockage Dawn 156

EBLO 228

ICG

Pipeline de Horseshoe Valley

EBLO 229

ICG

Pipeline de Prices Corners

Agrandissement des installations de Strathroy et Beachville

4 AVIS D'AUDIENCE

Lorsque la Commission a déterminé la nature et la durée probable de l'audience, elle demande au requérant d'aviser toutes les parties concernées de l'heure à laquelle aura lieu l'audience et du lieu où elle se déroulera.

5 DOCUMENTATION PRÉPARATOIRE

Afin de permettre à toutes les parties d'étudier la documentation relative à la demande, le requérant doit remettre les documents à l'appui de sa demande deux à trois mois avant le début de l'audience. Le personnel de la Commission et les intervenants peuvent également obtenir des renseignements supplémentaires en demandant à l'entrepreneur de services publics de répondre à des questionnaires écrits avant le début de l'audience.

Lorsque la demande porte sur la construction de pipelines, elle est d'abord étudiée par le Comité ontarien de coordination des pipelines. Par conséquent, les documents préparatoires doivent indiquer le tracé choisi et être accompagnés d'études portant sur les répercussions environnementales prévues.

6 ORDONNANCES DE PROCÉDURE

La Commission peut émettre une ordonnance de procédure pour une affaire spécifique. Entre autres, cette ordonnance peut déterminer la date de l'audience ou prévoir la date limite avant laquelle certaines formalités de procédure doivent être accomplies, telles que le dépôt de preuves justificatives, l'envoi de questionnaires et la communication des résultats de ces questionnaires. L'ordonnance de procédure peut également prévoir une liste des questions à aborder lors de l'audience.

7 DÉLIBÉRATIONS LIMINAIRES

Avant le début de l'audience, les représentants de la Commission peuvent proposer de revoir les questions de procédure, les points techniques et la démarche qui sera suivie pendant l'audience. De cette manière, tous les participants peuvent se familiariser avec tous les aspects de la demande et définir les questions qu'ils désirent soulever.

8 AUDIENCE

La Commission s'assure que les preuves présentées sont suffisantes, qu'elles sont vérifiées et versées au dossier, de façon à rendre sa décision en connaissance de cause. En règle générale, c'est le requérant qui présente d'abord son argumentation, en produisant des preuves écrites et en faisant comparaitre des témoins. Les intervenants et l'avocat de la Commission interrogent ensuite les témoins et peuvent eux aussi faire entendre leurs propres témoins. Ces derniers peuvent être interrogés par le requérant et par les autres intervenants. Lorsque toutes les preuves ont été présentées, chaque partie peut récapituler les faits dans une plaidoirie écrite ou verbale, selon les directives de la Commission.

Les documents préparatoires, les plaidoiries et les transcriptions des délibérations qui ont eu lieu à l'audience sont tenus à la disposition du public, au bureau de la Commission, à Toronto.

9 DÉCISIONS ET RAPPORTS DE LA COMMISSION

Selon que l'audience résulte, soit d'un renvoi, soit d'une demande ou d'un avis de la Commission, cette dernière doit présenter un résumé de ses délibérations dans un document intitulé « Rapport ». Ce document porte sur toutes les questions soulevées lors de l'audience et énonce les recommandations et les conclusions de la Commission. Sa publication peut exiger plusieurs semaines ou même plusieurs mois, selon la complexité de l'affaire. On peut se procurer des exemplaires du document, contre paiement d'une somme modique, à la Librairie du gouvernement de l'Ontario, 800, rue Bay, à Toronto. La Commission en remet des exemplaires aux personnes ayant participé à l'audience.

Dans la plupart des affaires prises en charge par la Commission à la demande du lieutenant-gouverneur en conseil, du ministre de l'Énergie ou du ministre des Richesses naturelles, les parties concernées ne sont pas tenues de se conformer aux recommandations de la Commission. Le ministre-concerné ou le lieutenant-gouverneur en conseil décide s'il doit ou non donner suite à ses recommandations. Toutefois, lorsqu'il s'agit d'un renvoi de la part du ministre des Richesses naturelles au sujet d'un permis de forage, le ministre doit se conformer aux recommandations de la Commission.

lle Cook, membre de la
mission, prépare une
tion officielle.



L

es audiences publiques sont l'un des principaux mécanismes grâce auxquels la Commission de l'énergie de l'Ontario peut s'acquitter de son mandat. Les audiences publiques donnent également la possibilité de se faire entendre aux groupes et particuliers qui peuvent être affectés par les décisions de la Commission. La participation du public permet à la Commission de s'assurer que ses décisions sont justes et qu'elles tiennent compte des divers points de vue et intérêts. L'audience est un processus en onze étapes.

1 DÉBUT

- Le processus est mis en branle :
- sur réception d'une demande;
 - sur réception d'une demande de renvoi adressée par le lieutenant-gouverneur en conseil, le ministre de l'Énergie ou le ministre des Richesses naturelles; ou
 - lorsque la Commission décide de commencer à étudier une question relevant de sa compétence.

2 AVIS DE PRÉSENTATION D'UNE DEMANDE

Les requérants doivent aviser de la présentation de leur demande toutes les parties concernées et tous les groupes publics intéressés. Lorsque la Commission commence le processus d'audience, elle doit en aviser qui de droit. Lorsque l'audience porte sur une forte modification de tarif, la compagnie de gaz naturel doit faire publier une annonce dans les quotidiens de la région touchée. Lorsqu'une demande touche les habitants de certaines régions désignées par le gouvernement, tous les avis doivent également paraître en français dans des quotidiens de langue française. Si aucun quotidien de langue française n'est publié dans la région, l'avis doit paraître dans un hebdomadaire de langue française.

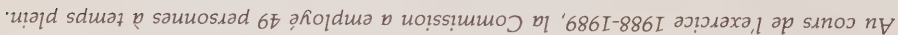
3 INTERVENTIONS

Les groupes et les personnes qui désirent participer à une audience — les « intervenants » — doivent déposer un avis d'intervention décrivant les raisons pour lesquelles ils désirent être présents. En 1988-1989, les participants avaient la possibilité de demander le remboursement de leurs frais de participation à l'issue de l'audience. Puis, le 1^{er} avril 1989, la Loi sur le projet d'aide financière aux intervenants est entrée en vigueur, celle-ci établit une procédure en vertu de laquelle les intervenants peuvent demander une indemnisation avant la tenue de l'audience. Un comité de financement nommé par la Commission décide si les requérants sont admissibles à cette aide et, le cas échéant, le montant qui leur sera versé. Les participants peuvent continuer à demander le remboursement de leurs frais à la clôture de l'audience, comme par le passé.



Audience publique tenue pour examiner une proposition de révision de tarifs présentée par Ontario Hydro.

ORGANIGRAMME AU 31 MARS 1989



● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●

remises aux compagnies.

limites géographiques, si le requérant a le droit d'exploiter pareil réservoir, si la demande correspond à un besoin réel; et si elle est praticable sur le plan économique. La Commission recommande au lieutenant-gouverneur en conseil les emplacements à désigner pour le stockage; elle autorise leur utilisation et décide de l'indemnisation payable au propriétaire en cas de désaccord entre ce dernier et le requérant.

Les demandes de permis pour le forage de puits dans une zone désignée de stockage de gaz doivent être soumises à l'examen de la Commission par le ministre des Ressources naturelles, au nom duquel les permis sont délivrés. Si le requérant est également l'exploitant autorisé de la zone de stockage, la Commission peut traiter la demande comme elle l'entend avant de faire rapport au ministre. Toutefois, si le requérant n'est pas l'exploitant autorisé, la Commission doit tenir une audience publique.

Les compagnies qui désirent stocker des fluides sous pression dans une formation géologique doivent obtenir un permis auprès du ministre des Richesses naturelles. Si le puits d'injection est situé à moins de 1,6 kilomètre d'une zone désignée pour le stockage du gaz, le ministre doit demander à la Commission d'étudier la question et de présenter un rapport à ce sujet, conformément à la Loi sur les richesses pétrolières.

La Commission réglemente les modalités d'association entre divers intérêts qui s'unissent pour le forage et l'exploitation de puits de gaz et de pétrole dans les limites d'une surface unitaire, d'un champ ou d'un gisement. À ce propos, elle a compétence pour désigner les gestionnaires et répartir les coûts et les avantages associés au forage et à l'exploitation.

AUTRES QUESTIONS

Les compagnies de gaz naturel doivent utiliser le système de comptabilité établi par la Commission et ne peuvent s'en écarter sans son autorisation préalable. La Commission poursuit son travail de mise à jour du règlement prescrivant la classification des méthodes de comptabilité. Il s'agit de la première refonte de ce document depuis l'adoption de la Loi sur la Commission de l'énergie de l'Ontario en 1966.

Les compagnies de gaz naturel communiquent régulièrement à la Commission des données sur leurs opérations et leurs résultats financiers. Lorsque les recettes d'une compagnie sont trop faibles ou trop élevées par rapport au rendement permis, l'agent de la Commission chargé de l'examen des rendements en matière d'énergie peut conduire une enquête spéciale avec le concours de son personnel. La Commission peut, de sa propre initiative, obliger une compagnie à comparaître devant elle pour lui fournir des explications sur la provenance et la justification de ses bénéfices.

La nature des services publics évolue au rythme des conditions économiques et sociales. Il est par conséquent approprié que la Commission procède à un examen des lois qui touchent les services publics et, au besoin, qu'elle propose des amendements.

canadien peut fonctionner efficacement. En vertu de la Loi sur la Commission de l'énergie de l'Ontario, il est interdit de stocker du gaz dans une formation géologique à moins qu'il ne s'agisse d'un emplacement désigné conforme à la description figurant dans le Règlement 700 des Règlements révisés de l'Ontario, 1980. Lorsqu'elle étudie une demande visant l'aménagement d'un réservoir naturel de stockage, la Commission doit décider si la structure géologique se prête à l'usage proposé et, dans l'affirmative, en définir les

L'aptitude à stocker le gaz est une condition sine qua non du bon fonctionnement du réseau de distribution de l'Ontario, et c'est pour cette raison que les réservoirs de stockage constituent une ressource naturelle très importante pour l'économie de la province. La plupart des emplacements de stockage sont d'anciens gisements de gaz situés dans le Sud-Ouest de la province. Ils sont utilisés par les transporteurs et les distributeurs pour faire face aux fluctuations de la demande et aux situations d'urgence. En règle générale, le gaz est stocké pendant l'été alors que la demande est relativement faible, pour être récupéré en période hivernale lorsque la demande est très forte. Grâce à ce système d'équilibrage de la demande, le réseau de distribution du gaz provenant de l'Ouest

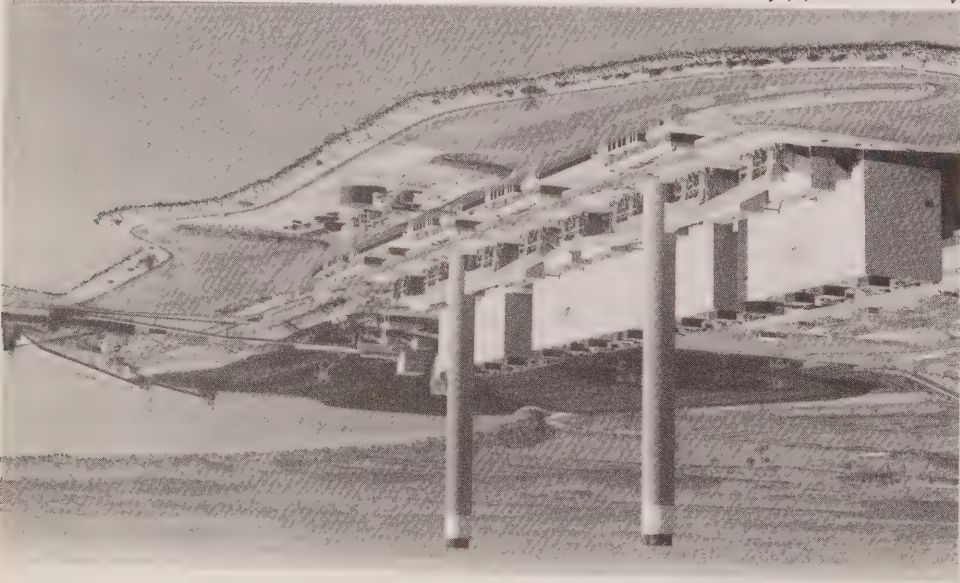
STOCKAGE DU GAZ NATUREL

Nul ne peut construire un ouvrage d'approvisionnement en gaz sans l'autorisation préalable de la Commission. Délivrée sous forme de certificat, cette autorisation n'est consentie que si la commodité et la nécessité publiques semblent la justifier.

CERTIFICATS DE COMMODITÉ ET DE NÉCESSITÉ PUBLIQUES

de franchise nouvelles et reconduites seront rédigées à partir de ce modèle. Le Comité des accords de franchise, son mandat consistant à mettre au point un modèle d'entente dont s'inspireraient toutes les ententes nouvelles ou reconduites. Le modèle, en vigueur depuis 1988, établit les conditions types devant présider à la distribution du gaz, à l'utilisation des emprises routières, aux autorisations de travaux, à la remise en état des terres une fois la construction achevée, etc. Après l'adoption de l'entente modèle, la Commission a tenu trois audiences — une par compagnie — pour statuer sur les franchises municipales négociées par Union, Consumers et ICG. Il s'agissait d'ententes renouvelées qui étaient en instance d'approbation. À l'automne 1988, quarante-neuf demandes de renouvellement de franchises ont été présentées devant la Commission. Grâce au caractère générique de toutes les demandes dont elle était saisie, la Commission a pu réaliser de considérables économies de temps et d'argent. Il est prévu que désormais, toutes les ententes de franchise nouvelles et reconduites seront rédigées à partir de ce modèle.

Avec une capacité de 4100 mégawatts, la centrale de Nanticoke, située en bordure du lac Érié, près de Port Dover, est la plus grande usine thermique alimentée au charbon d'Ontario Hydro.



ment municipal qui autorise la franchise, la Commission doit approuver les conditions afférentes à l'accord de franchise.

Toute municipalité peut accorder à une compagnie de gaz le droit de fournir un service sur son territoire et d'utiliser les emprises routières. Mais comme préalable à l'adoption de l'obligatoire règle

APPROBATION DES ACCORDS DE FRANCHISE

lorsqu'un pipeline doit traverser une autoroute, une ligne à haute tension ou un fossé.

dant l'autorisation de construire. Elle autorise également les expropriations nécessaires à l'implantation de canalisations de transport et d'installations connexes, et son consentement est exigé

place plus importante dans la planification des projets de pipelines. Lorsqu'elle accorde son approbation à un projet, la Commission émet une ordonnance accordant une licence d'exploitation à l'entreprise.

en châtier, elle rendra compte des toutes dernières normes et pratiques appliquées par chacun
ministère en matière d'atténuation des répercussions environnementales et accordera au public une

Directives environnementales, qui paraîtront pour la première fois en français, est actuellement par la construction des pipelines, enonce tous les critères à respecter. Une version révisée des

Ontario. Ce document, élaboré de concert avec les ministères et organismes provinciaux intéressés par la construction des pipelines, énonce tous les critères à respecter à l'occasion de l'exportation de ces carburants de transport à l'extérieur de la province.

La Commission de l'énergie de l'Ontario a publié des directives environnementales applicables à la construction et l'exploitation des canalisations de transport d'hydrocarbures à

de nombreux facteurs, à savoir sécurité, praticabilité économique, retombées pour la collectivité, sécurité de l'approvisionnement, avantages pour la compagnie, incidences environnementales, etc

Lorsqu'elle reçoit une demande d'autorisation présentée par une compagnie de services publics, la Commission doit décider si le projet sert effectivement les intérêts du public, et ce au regard

variantes pour les tracés et les emplacements, et règle toutes les questions soulevées avant que la demande d'autorisation de construire ne soit présentée à la Commission.

quences néfastes pour l'environnement, et veille à ce que les perturbations à court terme restent minimales pendant les travaux. Ce faisant, le comité revoit chaque proposition, étudie les diverses

Le COOP s'efforce d'éviter que la construction des pipelines n'entraîne, à long terme, des conséquences premières stades de leur planification.

En fait, les représentants régionaux que les compagnies de gaz naturel consultent, des Affaires municipales et des Transports. Se joignent parfois au comité, lorsque le besoin

«représentants des ministères de l'Agriculture et de l'Alimentation, de l'Énergie, de l'Environnement, de la Consommation et du Commerce, des Richesses naturelles, de la Culture et des Communica-

ministériel chargé de la sécurité des pipelines et des représentants environnementaux. Le COOP se compose de représentants de l'Agriculture et de l'Alimentation, de l'Environnement, de la Santé, de la Sécurité, de la Justice, de la Défense, de la Construction. Placé sous la présidence d'un membre de la Commission, le COOP

On Ontario doit obtenir l'autorisation de la Commission. En outre, tous les projets de conservation sont examinés par le Comité ontarien de coordination des pipelines (COCP), organisme inter-

Les entreprises de services publics souhaitant construire un pipeline pour le transport de gaz naturel en Ontario doivent obtenir l'autorisation de la Commission. En outre, tous les projets de construc-

APPROBATION DE NOUVELLES INSTALLATIONS

examiner des sujets précis dans un contexte plus global que ne le permettrait une audience ponctuelle.

La Commission peut aussi, de sa propre initiative, tenir des audiences générales pour examiner les questions qui relèvent de ses compétences. Ces audiences visent généralement à faire la lumière

Il peut au contraire tenir une audience et présenter son rapport et ses recommandations au lieutenant-gouverneur en conseil.

compte acheter plus de 20 pour cent des actions d'une entreprise de services publics, qu'une que

de fusionner avec une autre entreprise à vocation semblable, et dans le cas d'un particulier qui

L'association du lieutenant-gouverneur en tant qu'entrepris de services publics est appelée à tenir une audience et à faire rapport.

Par ailleurs, si une entreprise de services publics change de propriétaire, la Commission peut

liards de mètres cubes, dont 230 millions de mètres cubes ont été transportés pour le compte d'autres compagnies. Les recettes totales d'ICG ont atteint environ 443 millions de dollars.

Natural Resource Gas Limited (NRG) est une petite entreprise de services publics fournissant du gaz à environ 2 000 abonnés dans la région d'Aylmer. Au 30 septembre 1988, NRG avait une base de tarification de 2,9 millions de dollars et affichait des recettes de 2,7 millions de dollars pour son exercice financier 1988.

Teconseh Gas Storage Limited exploite un réservoir de stockage de gaz dans le Sud-Ouest de l'Ontario. Cette compagnie a réalisé des recettes d'environ 15 millions de dollars pendant son exercice financier 1988. Consumers était l'unique client de Tecumseh.

EXAMEN DES TARIFS D'ONTARIO HYDRO

Les tarifs de vente en gros d'électricité d'Ontario Hydro (applicables aux municipalités et à certains consommateurs industriels) sont établis par le Conseil d'administration de la société. Toutefois, lorsque Ontario Hydro désire modifier ses tarifs, elle doit soumettre une proposition en ce sens au ministre de l'Énergie, qui saisit la Commission du dossier en lui fournissant toutes les données techniques et financières pertinentes. À l'issue d'une audience publique qui débute généralement fin mai ou début juin et qui dure environ quatre semaines, la Commission rédige un rapport assorti de recommandations qu'elle remet au ministre de l'Énergie au plus tard le 31 août de chaque année.

Le rôle de la Commission étant consultatif, ses recommandations n'ont pas force exécutoire pour Ontario Hydro.

Ontario Hydro est la plus importante société de la couronne en Ontario. Au 31 décembre 1988, elle possédait un actif de 34,36 milliards de dollars et desservait, directement ou indirectement, plus de 3,46 millions de consommateurs, dont 85 pour cent d'abonnés résidentiels. La vente de 128 000 GWh dans la province et de 5 019 GWh à l'exportation lui ont permis d'enregistrer un revenu de 5,8 milliards de dollars.

RENVOS ET AUDIENCES GÉNÉRALES

Le lieutenant-gouverneur en conseil, le ministre de l'Énergie et le ministre des Richesses naturelles peuvent demander à la Commission de tenir une audience publique sur une question précise et de leur faire rapport. D'habitude, ces renvois portent sur des questions liées à l'énergie et suscitent souvent un vif intérêt parmi le public. La encore, la Commission joue un rôle consultatif, sans plus.



Distribution du gaz naturel en Ontario

En Ontario, les tarifs applicables à la vente de gaz doivent être approuvés par la Commission. Les distributeurs de gaz sont tenus de soumettre leurs projets de tarifs à l'approbation de la Commission, qui examine les demandes en général une fois par an. Les tarifs de chaque compagnie sont fixés à l'issue d'une audience publique. La durée de cette audience peut atteindre trois à quatre semaines, selon la complexité des enjeux.

Les tarifs ne sont pas les mêmes pour les consommateurs résidentiels, commerciaux et industriels. Lorsqu'elle établit les tarifs, la Commission tient compte des coûts associés aux fluctuations de la demande des différentes catégories de consommateurs. Ainsi, la demande résidentielle de gaz naturel utilise pour le chauffage varie en fonction des conditions météorologiques et de la période de la journée. Par conséquent, il en coûte plus cher, par unité, d'approvisionner les abonnés résidentiels que les industries, ces dernières consommant de plus grandes quantités de gaz à des volumes plus constants.

La Commission s'efforce de réaliser un équilibre entre les prix que doivent payer les consommateurs, d'une part, le rendement que les actionnaires de chaque compagnie sont autorisés à tirer de leur investissement. Les tarifs doivent être « justes et raisonnables » pour les clients comme pour les actionnaires. Avant d'arrêter une décision, la Commission prend en considération les dépenses antérieures, actuelles et futures, la conjoncture, les prévisions, les tendances économiques et les recettes escomptées par les compagnies.

La Commission peut accorder un redressement tarifaire provisoire aux compagnies et aux consommateurs lorsque les frais ou les revenus d'une compagnie de services publics subissent ou sont sur le point de subir des modifications importantes. En pareil cas, ces rajustements font l'objet d'une audience spéciale qui dure généralement un jour ou deux. Les tarifs provisoires sont sujets à révision et ne deviennent définitifs qu'à partir du moment où la Commission rend sa décision finale et émet une ordonnance.

Dans le cadre des audiences relatives aux tarifs, la Commission doit non seulement s'assurer que les compagnies de services publics pratiquent des tarifs raisonnables, mais encore que le service fourni est de qualité satisfaisante.

Consumers' Gas Company Ltd est le plus important distributeur canadien de gaz naturel. Au 30 septembre 1988, date de clôture de son dernier exercice financier, cette compagnie desservait quelque 974 000 consommateurs résidentiels, commerciaux et industriels dans le Sud, le centre et l'Est de l'Ontario, sans compter les abonnés de l'Ouest du Québec et du Nord de l'État de New York, qu'elle approvisionne par l'intermédiaire de filiales échappant au ressort de la Commission. Toujours à la même date, Consumers avait vendu 9,44 milliards de mètres cubes de gaz, et achevée 0,492 milliard de mètres cubes; sa base de tarification se chiffrait à 1,416 milliard de dollars, et elle affichait des recettes d'environ 1,7 milliard de dollars.

Union Gas Limited, deuxième compagnie de distribution ontarienne par ordre d'importance, approvisionne les consommateurs du Sud-Ouest de la province. Elle exploite aussi un réseau de pipelines, d'installations de stockage et de stations de compression pour le compte d'abonnés et d'autres entreprises de services publics dans l'Est de l'Ontario et au Québec. Au 31 mars 1989, sa base de tarification s'établissait à 1,027 milliard de dollars. Elle comptait plus de 573 000 clients résidentiels, commerciaux et industriels, et son réseau aura débité un volume total estimé à 14,7 milliards de mètres cubes pendant l'exercice financier 1989, y compris le gaz acheminé à d'autres compagnies distributrices. Le volume total de gaz vendu et livré à des clients s'occupant de distribution (c'est-à-dire à des compagnies qui vendent ou transportent du gaz) atteignait 8 milliards de mètres cubes. Pendant le même exercice, Union Gas Ltd a réalisé des recettes d'environ 1,2 milliard de dollars.

ICG Utilités (Ontario) Ltd approvisionne en gaz une centaine de collectivités du Nord-Ouest du Nord et de l'Est de l'Ontario. Son réseau de distribution se compose de 6 142 kilomètres de pipelines raccordés à plus de 76 points de livraison sur le réseau de transport de TransCanada Pipelines (TCPL). Il s'agit en fait d'une série d'antennes raccordées au réseau de TCPL à partir de Kenora, où ce dernier pénètre en Ontario pour se prolonger jusqu'aux rives du lac Ontario et du Saint-Laurent. Au 31 décembre 1988, la base de tarification moyenne d'ICG se chiffrait 395 millions de dollars. Pour approvisionner ses 168 000 abonnés, ICG a acheminé en tout 3,07 mi-



Trois des employés bilingues de la Commission : de gauche à droite, Nicholas Belak, Françoise Lafond et Peter O'Dell.

l'Ontario dépend dans une large mesure du gaz naturel comme source d'énergie et aussi comme matière première utilisée dans diverses industries, notamment celle des produits chimiques. Le gaz naturel constitue le principal combustible de tous les secteurs de l'économie, excepté celui des transports, et il est le combustible privilégié pour le chauffage de l'eau et des locaux dans la province. En fait, l'Ontario utilise plus de gaz naturel que toute autre province consommatrice, sa consommation représentant environ 41 pour cent du total de la demande de gaz naturel canadien. Le gaz fournit quelque 30 pour cent de l'énergie consommée dans la province, tandis que l'électricité, dont la popularité va croissant, représente 18 pour cent environ. Les combustibles liquides (pétrole et liquides du gaz naturel), le charbon et le bois viennent compléter la liste des sources d'énergie consommée dans la province.

La Commission de l'énergie de l'Ontario est chargée de réglementer l'industrie du gaz naturel, notamment en fixant les tarifs, en autorisant la construction des lignes de transport et en évaluant les accords de franchise. En outre, la Commission fournit des conseils au ministre de l'énergie sur des questions générales touchant l'industrie du gaz naturel, de même que sur des aspects intéressants Ontario Hydro. Dans tous les cas de figure, la Commission a pour principal souci de veiller à l'équité des tarifs, à la sécurité de l'approvisionnement et à la sauvegarde de l'intérêt public.

Le présent rapport commence par esquisser le mandat de la Commission, ainsi que le rôle et les obligations qui lui sont dévolus, puis enchaîne sur une liste des activités menées durant l'exercice écoulé, dont certaines, enfin, sont présentées dans leurs grandes lignes.

MANDAT

La Commission de l'énergie de l'Ontario a été créée en 1960 à titre d'organisme officiel et impartial chargé de réglementer divers aspects de l'industrie ontarienne du gaz naturel. Outre ses fonctions de réglementation, la Commission, à la demande du lieutenant-gouverneur en conseil, du ministre de l'énergie ou du ministre des Richesses naturelles, formule des recommandations sur diverses questions relatives à l'énergie, par exemple les modifications apportées par Ontario Hydro à ses tarifs de vente en gros. Dans toutes ses activités, la Commission de l'énergie de l'Ontario vise pour l'essentiel à servir le public et à protéger ses intérêts.

La plupart des responsabilités et pouvoirs de la Commission sont énoncés dans la Loi sur la Commission de l'énergie de l'Ontario et, accessoirement, dans six autres lois, à savoir :

- la Loi sur les concessions municipales;
- la Loi sur les richesses pétrolières;
- la Loi sur les services publics;
- la Loi sur l'évaluation foncière;
- la Loi sur la Société de chauffage par district de Toronto;
- la Loi sur le projet d'aide financière aux intervenants.

La Loi sur le projet d'aide financière aux intervenants a été proclamée le 1^{er} avril 1989 par le lieutenant-gouverneur en conseil. Ce projet, d'une durée de trois ans, prévoit un mécanisme pour financer d'avance le recours des intervenants qui comparaissent devant certaines instances officielles, y compris la Commission de l'énergie de l'Ontario. Elle prescrit les critères sur lesquels doit s'appuyer le comité d'examen, établi sous le régime de la loi, lorsqu'il décide de la question de savoir si un intervenant est admissible ou non à une aide financière.

RÔLE ET RESPONSABILITÉS

FIXATION DES TARIFS DU GAZ NATUREL

Toutes les compagnies de gaz naturel vendent et transportent du gaz dans les régions de la province où elles détiennent une franchise. Le marché de l'énergie est désormais soumis aux lois de la concurrence, car les acheteurs peuvent traiter directement avec les producteurs de gaz, ou opter pour une autre source d'énergie. Du fait que le transport du gaz met en oeuvre un vaste réseau de pipelines et d'installations de stockage, le monopole demeure la plus efficace des formules, en ce sens qu'il ne tolère pas le double emploi et empêche les augmentations tarifaires qui en résulteraient.

Les membres de la Commission le 31 mars 1989 étaient, de gauche à droite : C.A. Wolf, H.E. Andrews, D.A. Dean, J.C. Butler, vice-président, S.J. Wychowanec, c.r., président, M.A. Daub, R.M.R. Higgin, O.J. Cook, M. O'Farrell était absent.



S.J. Wychowanec, c.r.,
Président, Commission de l'Énergie de l'Ontario

S.J. Wychowanec

En ce qui a trait à la Loi sur le projet d'aide financière aux intervenants, la Commission a été chargée, avec deux autres instances officielles, de prendre part à un projet pilote de trois ans prévoyant l'octroi d'une aide financière aux intervenants désireux de comparaître à une audience. Pendant l'année écoulée, la Commission a rédigé les règles, pratiques et procédures afférentes à cette loi, qui ont reçu la sanction du lieutenant-gouverneur en conseil. La première audience tenue sous le régime de la nouvelle loi a porté sur le renvoi de la proposition d'Ontario Hydro relative au tarif de vente d'électricité en gros en 1990.

Deux autres projets d'assez longue date ont pu être menés à terme pendant l'année. En effet, la Commission publiera sous peu la troisième édition de son guide intitulé *Directives environnementales applicables à la localisation, la construction et l'exploitation des canalisations de transport d'hydrocarbures en Ontario*. Pour la première fois, ces directives paraîtront également en version française. Qui plus est, les compagnies de gaz et les municipalités de l'Ontario ont adopté un contrat type de franchise, qui servira de base à toutes les demandes futures de franchise qui seront présentées dans les municipalités.

En résumé, l'année s'est avérée fructueuse et riche de défis, et je ne crois pas me tromper en disant que les douze mois à venir le seront tout autant.

J'ai quitté la Commission de l'énergie de l'Ontario en décembre 1984, pour y revenir en juillet 1988 à titre de président. Durant ce bref intervalle, l'industrie du gaz naturel au Canada a subi de remarquables changements, dont les conséquences, pour les distributeurs ontariens et leurs clients comme pour la Commission, ont été non moins frappantes.

À l'origine de cette évolution figurent l'Accord de l'Ouest et l'Entente sur les marchés et les prix du gaz naturel, tous deux conclus en 1985. En vertu de ces accords, le gouvernement fédéral et les provinces productrices ont convenu d'instaurer, de concert avec les provinces consommatrices et l'industrie du gaz, un système de tarification conçu pour suivre les mouvements du marché. Il est vite apparu que les douze mois initialement prévus pour la mise en place du nouveau système n'allaient pas suffire.

Depuis 1985, la Commission s'emploie à faire appliquer les deux accords, tâche qui ne lui est pas facilitée par la législation actuelle, qui demeure pratiquement inchangée depuis un quart de siècle. Par ses nombreuses décisions, la Commission a encouragé la formation d'un marché du gaz naturel composé d'une multiplicité d'acheteurs et de vendeurs. Pourtant, en dépit de progrès certains, l'Accord et l'Entente attendent toujours leur mise en oeuvre définitive.

Si la déréglementation ou, pour être plus précis, la re-réglementation, s'est jusqu'à présent soldée par une réduction des prix pour la quasi-totalité des clients, elle avantage nettement les importants consommateurs industriels, qui ont saisi sans tarder l'occasion de s'approvisionner directement auprès des producteurs. Néanmoins, les clients commerciaux de faible plus modeste achètent eux aussi du gaz directement aux producteurs de l'Alberta ou de la Saskatchewan, quand ils ne profitent pas des autres possibilités de rabais qui leur sont offertes.

Les nouveaux arrangements ont fait surgir de nombreuses questions que la Commission devra trancher. Pendant l'exercice 1988-1989, celle-ci a d'ailleurs présenté au lieutenant-gouverneur en conseil un rapport concernant la sécurité d'approvisionnement des consommateurs ontariens. Entre autres recommandations, il y est prôné qu'on incite les acheteurs directs, et notamment les distributeurs locaux, à passer des contrats de la plus longue durée possible au regard du prix et d'autres considérations du même ordre.

Vers la fin de l'exercice financier, les arrangements relatifs aux fournitures conclus entre Western Gas Marketing Limited et les trois grands distributeurs de gaz de l'Ontario ont fait l'objet d'audiences séparées devant la Commission. Il en a résulté trois décisions distinctes, rendues le 14 avril 1989, par lesquelles la Commission approuvait des tarifs comprenant le coût du gaz attribuable à ces arrangements. La Commission a décidé de ne pas se prononcer pour l'instant sur les arrangements relatifs à la revente du gaz distribué qui, selon certains intervenants, constituaient une subvention croisée accordée aux dépens des autres abonnés. Une audience générale pourrait être tenue plus tard dans l'année pour examiner cette question, ainsi que plusieurs autres aspects qui s'y rattachent.

Les grands enjeux de la déréglementation étant désormais tirés au clair, du moins pour la plupart, il serait opportun de s'attarder sur l'incidence qu'elle aura sur les abonnés de l'Ontario. La Commission devra éventuellement affiner certaines de ses décisions antérieures pour veiller à ce que le gaz soit fourni aux utilisateurs de cette province à des tarifs justes et raisonnables.

Pendant l'année écoulée, la Commission a vu contester sa compétence à deux reprises devant la Cour suprême de l'Ontario, et dans chaque cas, elle a obtenu gain de cause. Par ailleurs, elle a entamé les préparatifs en vue de l'entrée en vigueur de la Loi sur les services en français et de la Loi sur le projet d'aide financière aux intervenants. Le personnel de la Commission compte main-

tenant quatre employés bilingues capables de fournir au public des services en français.



Nychowane, c.r.,
dant.



Energy / Énergie
Ontario



Queen's Park
Toronto, Ontario
M7A 2B7
416/965-4286
Télex 06217880

Ministre

Ministry of
Energy
Ministère de
l'Énergie

A son honneur Lincoln M. Alexander
Lieutenant-gouverneur de la
province de l'Ontario:

J'ai l'honneur de présenter le rapport annuel de la
Commission de l'énergie de l'Ontario décrivant les
diverses activités de l'exercice 1988-1989.

Veuillez agréer, votre honneur, l'assurance de ma
très haute considération.

Le ministre de l'Énergie
Lyn McLeod

TABLE DES MATIÈRES

MESSAGE DU PRÉSIDENT 3

INTRODUCTION 5

STRUCTURE 11

AUDIENCES PUBLIQUES 12

RÉCAPITULATION DES ACTIVITÉS 14

Les activités de la CEO : quelques

exemples 16

Examen des activités liées à l'Ontario

Hydro 17

Demandes de révision des tarifs du gaz

naturel 18

Demandes relatives à des

installations 22

Demandes relatives au stockage

de gaz 24

LEXIQUE DE TERMES ET INITIALES 26

Les bureaux de la Commission de l'énergie de l'Ontario sont situés au

2300, rue Yonge

Bureau 2601

Toronto, Ontario

(416) 481-1967

On peut se procurer des exemplaires du présent rapport et d'autres publications de la Commiss

à la librairie du gouvernement de l'Ontario, au 880, rue Bay, Toronto (416) 326-5300.

Les personnes habitant à l'extérieur de Toronto peuvent communiquer avec le Service des pu

cations, ministère des Services gouvernementaux, 880, rue Bay, 5^e étage, Toronto (Ontario) M7A 1N8. Pour les appels interurbains sans frais, composez le 1-800-668-9938.

ISSN 0317-4891

Photographies fournies par :

Peter O'Dell (membres de la Commission, personnel et audience)

Union (installations de gaz naturel)

Ontario Hydro (centrales électriques)



COMMISSION DE L'ÉNERGIE DE L'ONTARIO

RAPPORT ANNUEL

6 8 8 - 1 6 8 6

CA20N
EB
-A56

9 8 9 - 1 9 9 0

ONTARIO ENERGY BOARD

ANNUAL REPORT



CONTENTS

MESSAGE FROM THE CHAIRMAN 3

INTRODUCTION 5

STRUCTURE 11

THE PUBLIC HEARING PROCESS 12

REVIEW OF ACTIVITIES 14

Ontario Hydro Review 16

Other References 17

Natural Gas Rates Applications 19

Facilities Applications 22

Gas Storage and Drilling Permit Applications 24

GLOSSARY OF TERMS AND ACRONYMS 26

The Ontario Energy Board is located at
2300 Yonge Street
Suite 2601
Toronto, Ontario
(416) 440-1967

Copies of this and other Board publications may be purchased from the Ontario Government Bookstore, 880 Bay Street, Toronto. Telephone (416) 326-5300.

Out-of-town customers please contact the Ministry of Government Services, Publications Service Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8. Toll-free long distance: 1-800-668-9900.

ISSN 0317-4891

Photographs courtesy of: Vincenzo Pietropaolo (chairman, Board members and Board staff); Peter O'Dell (Board staff); Ontario Hydro (hydro installations); The Consumers' Gas Company and Union Gas Ltd (natural gas installations)



Ministry
of
Energy

Ministère
de
l'Énergie

Queen's Park
Toronto, Ontario
M7A 2B7
416/965-4286
Telex 06217880

Queen's Park
Toronto (Ontario)
M7A 2B7
416/965-4286
Télex 06217880

The Honourable Lincoln M. Alexander
Lieutenant Governor of the
Province of Ontario:

I hereby submit the annual report of the Ontario
Energy Board. It reviews the events and activities of
the fiscal year 1989-90.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "J. Carter".

J. Carter
Minister of Energy

MESSAGE FROM THE CHAIRMAN



Wychowanec, Q.C. Chairman

During the 1980s the natural gas industry in Ontario was shaped by two significant events over which it had little or no say: the federal National Energy Program (NEP), introduced in October 1980, and the Agreement on Natural Gas Markets and Prices, signed by the federal government and the producing provinces of western Canada in 1985.

The NEP imposed a regulated price on the sale of gas to local distributors, while the agreement, in a complete turnaround, deregulated the price. That the utilities and the Board, under existing legislation, could adapt to these significant changes and the wide-ranging implications underlines the flexibility of the regulatory climate in this province. Not only can the natural gas utilities flourish in Ontario, but they can also ensure a high level of service to consumers of gas.

The 1980s also saw an unprecedented series of changes of ownership of all three of the major utilities in Ontario and the introduction of 'undertakings' between these utilities and the Lieutenant Governor in Council. By these undertakings, the utility as well as its parent and holding companies agreed not to enter into non-regulated enterprises without prior dispensation by the Board and to conduct their utility-related business affairs in a manner acceptable to the Lieutenant Governor in Council.

In the coming decade, which is being referred to as the 'green decade,' sustainable development, global warming, and the conservation ethic will all assume major significance. Environmental concerns are clearly becoming more important in determining how business will be conducted, and they will continue to have a considerable impact on Ontario's natural gas utilities and on Ontario Hydro.

The public concern for the environment will provide the gas utilities with new opportunities for the sale of gas, but it will also encourage conservation. Additional transmission and storage capacity will become increasingly important issues for the 1990s, but these needs must be balanced against the concerns of landowners affected by the construction of transmission pipelines and the development of storage pools. The resolution of these conflicting policies, forces, and interests within the regulatory framework will be the challenge not only for this Board but also for those it regulates.

The summaries of the Board's decisions during the past fiscal year reflect the continuing reverberations of deregulation, the 'bypass' decisions (decisions on requests for special rates for transportation of gas) being prime examples. The first-time review of a cogeneration project (that of ICG Utilities (Ontario) Ltd and Boise Cascade Canada) noted that the laudable objective of encouraging non-utility generation of electricity may conflict with the objective of maintaining a pure utility. The Board received and dealt with a number of applications to drill wells in southwestern Ontario for the purpose of finding and developing storage pools. The *Environmental Guidelines* developed by the Board for locating, constructing, and operating hydro-carbon pipelines were applied *mutatis mutandis* to well-drilling permit applications. In addition, the Board gave permission for construction of the first phase of a NPS 48 transmission pipeline to traverse southwestern Ontario. This was also a first, since affected landowners received intervenor funding and mounted a full-scale intervention.

Another first for the Board was the decision to hold a generic hearing to examine the possible implementation by Ontario's gas utilities of least-cost utility planning to consider different means of meeting customer demands as well as environmental impacts when planning distribution systems. Time permitting, the generic hearing will take place in early 1991.

The Board also delivered its annual report on Ontario Hydro's bulk power rate increase. In addition to recommendations on the magnitude of the proposed increase, the Board suggested a public review of Hydro's avoided-cost methodology and greater efforts on the part of Ontario Hydro to encourage conservation of electricity, as well as a review of its net income policy.

In short, during the 1989-90 fiscal year, the Board has dealt with recurring rate-setting issues and new issues that will gain greater prominence in the future. The Board's basic mandate of regulating natural monopoly is evolving. Not only must the Board, through rate regulation, ensure that companies, in return for a reasonable return on investment, provide an adequate quality of service at reasonable prices to customers without undue discrimination, but it must also recognize and support initiatives that will ensure the efficient and wise use of energy.

The challenges of the next decade for the utilities and for this Board are many. I am confident they will be met.



S.J. Wychowanec, Q.C.
Chairman, Ontario Energy Board



Board members on March 31, 1990, from left to right, R.R. Perdue, M.L. Kliman, R.M.R. Higgin, C.W.W. Darling, V.W. Bielski, O.J. Cook, Chairman S.J. Wychowanec, D.A. Dean, R.D. Walker, C.A. Wolf Jr

Ontario relies heavily on natural gas as an energy source and as a feedstock, primarily in the production of chemicals. Natural gas is the major fuel for all sectors of the economy except transportation, and it is the primary fuel used in heating space and water in the province. Indeed Ontario uses more natural gas than any other consuming province and accounts for approximately 41 percent of the total demand for Canadian natural gas. Natural gas provides approximately 30 percent of the energy consumed in the province. Electricity provides about 18 percent of the energy consumed in Ontario, and its use is growing. Liquid fuels (oil and natural gas liquids), coal, and wood provide the balance of Ontario's energy consumption.

The Ontario Energy Board regulates the natural gas industry through the setting of rates, authorizing the construction of transmission lines, and approval of franchise agreements. The Board also advises the Minister of Energy on general matters relating to the natural gas industry, as well as matters relating to Ontario Hydro. In all its considerations, the Board endeavours to ensure that rates are fair, that supply is secured, and that the public interest is upheld.

The report that follows outlines the Board's mandate and its role and responsibilities in fulfilling that mandate. It provides a tabular listing of all the Board's activities over the past year, and discusses some of these activities briefly.

MANDATE

The Ontario Energy Board was formed in 1960 to provide an impartial formal mechanism for regulating specific aspects of Ontario's natural gas industry. In addition to its regulatory responsibilities, the Board, when requested in references from the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources, will advise on matters relating to energy, such as changes made by Ontario Hydro to its bulk power rates. In all its activities, the primary objective of the Ontario Energy Board is to ensure that the public interest is served and protected.

Most of the Board's responsibilities stem from legislation as set out primarily in the Ontario Energy Board Act. In addition, six other statutes give jurisdiction to the Board:

- the Municipal Franchises Act;
- the Petroleum Resources Act;
- the Public Utilities Act;
- the Assessment Act;
- the Toronto District Heating Corporation Act;
- the Intervenor Funding Project Act, 1988.

The Intervenor Funding Project Act was proclaimed on April 1, 1989, by the Lieutenant Governor in Council. As a three-year pilot project, the act establishes a procedure to provide for advance funding to intervenors in proceedings before a number of boards, including the Ontario Energy Board. It sets out specific criteria which the funding panel, established under the act, must consider in deciding whether to award funding to an intervenor.

ROLE AND RESPONSIBILITIES

SETTING RATES FOR NATURAL GAS

Each natural gas utility sells and transports gas in franchised areas of the province. Competition now exists in the sale of energy: buyers may purchase gas directly from producers or from the distributors, or they may turn to other sources of energy. Since the transportation of gas involves an extensive network of pipelines and storage facilities, a monopoly arrangement is most efficient; it avoids duplication and the cost increases that would otherwise result.

In Ontario, rates for the sale of gas must be approved by the Board. Gas distributors are required by legislation to submit their proposed rates to the Board for review and approval, which usually takes place on an annual basis. Rates for each utility are set following a public hearing. A major rate hearing lasts approximately three to four weeks.

Rates vary among classes of customers: residential, commercial, and industrial. In setting rates, the Board's objective is to reflect the costs imposed on the system by the varying demands of different classes of customers. Residential demand for natural gas as a heating fuel, for example, changes according to the weather and the time of day. As a result, it costs more on a per unit basis to provide service to residential users than to industrial customers, who use relatively large amounts of gas at a more constant level.

In setting rates, the Board tries to strike a balance between the prices to be paid by customers and the rate of return which shareholders of the utilities are allowed to earn on their investment. Rates are to be 'just and reasonable' for both customer and shareholder. In making its decisions, the Board considers past, present, and projected expenses, along with current and forecasted economic conditions and trends and the earnings expectations of the utility operators.

The Board may grant interim rate relief to either company or customers in cases where significant changes in a utility's costs or revenues have occurred or will occur. In such cases, an interim rate hearing may be held, which usually takes one or two days. Interim rates are subject to revision and are not final until the rates application is completed and the Board has issued its Decision and Order.

As well as ensuring that utilities charge reasonable rates, the Board also must consider, as part of the rate hearings, the quality of service the utility provides.

The Consumers' Gas Company Ltd. is Canada's largest natural gas distribution utility serving approximately 1,019,620 residential, commercial, and industrial customers in south, central, and eastern Ontario. Through affiliated companies not regulated by the Board, Consumers Gas also supplies western Quebec and northern New York State. At its year end on September 30, 1989, Consumers Gas' rate base was \$1.49 billion. During that year Consumers Gas' total throughput was 10.472 billion cubic metres, with total revenues of \$1.8 billion. On March 7, 1990, British Gas plc announced its intention to purchase all of the common shares of Consumers Gas. The Board began its review of the proposed transaction in a public hearing that started June 26, 1990.



NPS 36 pipeline construction by Consumers Gas; the sideboom cradles a concrete-encased section before it is submerged at the reservoir.

Union Gas Limited is the second largest gas distributor in Ontario, serving customers in southwestern Ontario. It also operates a network of transmission pipeline, storage, and compression facilities for customers and other utilities in eastern Ontario and Quebec. As of March 31, 1990, Union's rate base was approximately \$1.15 billion. It served over 596,000 residential, commercial, and industrial customers, generating a total system throughput of 15.9 billion cubic metres for fiscal 1989, which includes gas transported for other utilities. Total volumes of gas delivered to Union's distribution customers (which includes both sales and transportation only customers) was 8.2 billion cubic metres. Total revenue for Union in fiscal 1990 was \$1.2 billion.

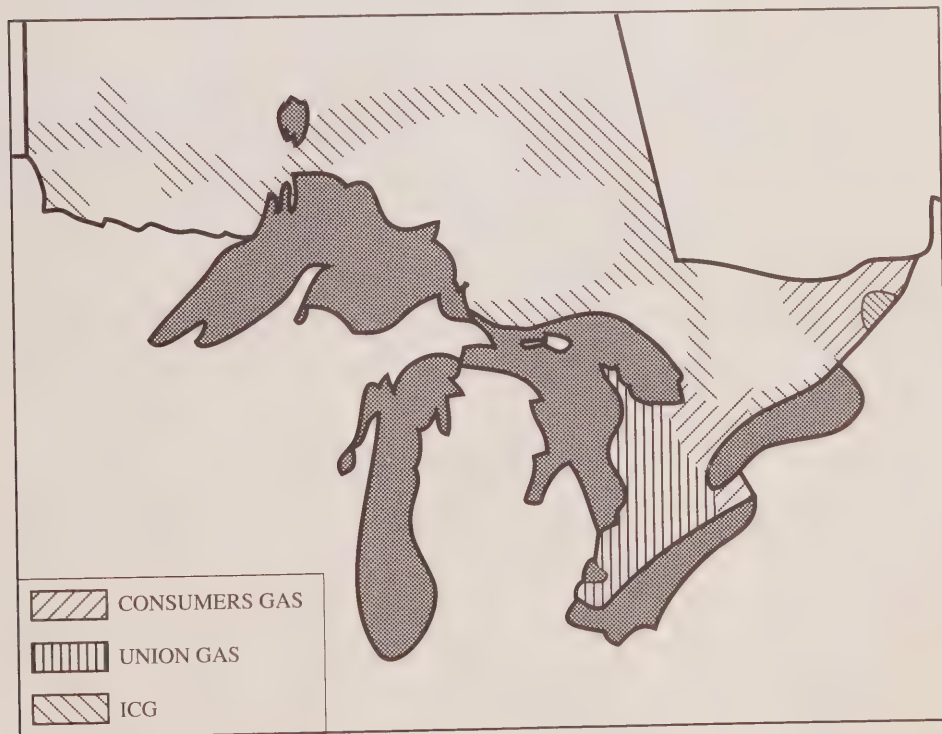


Christiane Wong, Ena Petersen-Trajkov, and Veronica Daniel are three members of the support staff.

ICG Utilities (Ontario) Ltd serves approximately 100 communities in northwestern, northern, and eastern Ontario. Its natural gas distribution system comprises approximately 6,142 kilometres of pipeline originating at more than 76 delivery points on the TransCanada Pipelines Limited (TCPL) transmission system. The ICG system is composed of a series of laterals running off the TCPL system as the latter crosses Ontario, starting at Kenora and extending to Lake Ontario and the St Lawrence River. As of December 31, 1989, ICG's average rate base was over \$411 million. Serving approximately 175,000 customers, ICG's system throughput totalled 3.568 billion cubic metres. ICG's total revenue in fiscal 1989 was some \$506 million.

Natural Resource Gas Limited (NRG) is a small utility serving 2,028 customers in the Aylmer area. As of September 30, 1989, NRG's average rate base was \$3.313 million and total gas sales were 12,274 million cubic metres. The company generated approximately \$3.113 million of revenue in its 1989 fiscal year.

Tecumseh Gas Storage Limited is a gas storage company operating in southwestern Ontario which is jointly owned by Imperial Oil Ltd and Consumers Gas. Consumers Gas is the sole operator of the company. In its fiscal 1990 year Tecumseh generated approximately \$19 million in revenue. Tecumseh's only customers are Union and Consumers.



Natural Gas Distribution in Ontario



An aerial view of Ontario Hydro's nuclear generating station at Darlington

REVIEWING ONTARIO HYDRO RATES

Ontario Hydro's bulk power rates (wholesale rates for municipalities and certain industrial customers) are set by Hydro's own board of directors. However, Ontario Hydro is required to submit any proposed change in its rates to the Minister of Energy who then refers the proposal to the OEB, along with full technical information and financial data. After a public hearing, which usually begins in late May or early June and runs for about four weeks, the Board submits a report with recommendations to the Minister of Energy on or before August 31 each year. The Board's role is an advisory one and its recommendations are not binding on Ontario Hydro.

Ontario Hydro is the province's largest crown corporation. As of December 31, 1989, Ontario Hydro had assets of \$36.28 billion. It served, at that date, more than 3.55 million customers directly and indirectly, over 85 percent being residential. Provincial sales of 134,000 GWh and export sales of 2,300 GWh produced revenue of \$6.3 billion.

REFERENCES AND GENERIC HEARINGS

The Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources may refer a matter to the Board for a public hearing and report. These references normally concern energy-related matters and generally attract widespread public interest. The Board's reports are advisory in nature.

In addition, changes in ownership of utilities may be referred to the Board for a hearing and report. The leave of the Lieutenant Governor in Council is required when a utility wishes to sell its assets or amalgamate with another utility, and when any person wishes to acquire shares of a utility to the extent that more than 20 percent of any class of shares changes ownership. The Board may recommend exemption from a hearing or may hold a hearing and submit its report and recommendations to the Lieutenant Governor in Council.

The Board may also hold generic hearings on its own initiative on matters under its jurisdiction. Such hearings are usually held in response to an emerging trend or an area of growing interest or concern, and deal with a subject in a broader context than issue-specific hearings.

APPROVAL OF FACILITIES

Utilities wishing to construct a transmission line for natural gas in Ontario must obtain Board approval. In addition, all construction proposals are reviewed by the Ontario Pipeline Coordination Committee (OPCC), an interministerial committee concerned with the environmental and safety aspects of pipeline construction. The OPCC is chaired by a staff member of the OEB, and it includes representatives from the ministries of Agriculture and Food, Energy, Environment, Consumer and Commercial Relations, Natural Resources, Culture and Communications, Municipal Affairs, and Transportation. Other regional agencies, with which the natural gas utilities consult in the early stages of their planning, are also represented as required.

The OPCC tries to ensure that the construction of pipelines does not have any long-term negative effect on the environment and that the short-term impact during construction is minimized. With these objectives in mind, each proposal is reviewed, alternative routes or sites considered, and issues resolved before formal application for leave to construct is filed with the Board.

When a utility applies to the Board for approval, the Board assesses whether the construction is in the public interest, considering safety, economic feasibility, community benefits, security of supply, benefits for the utility, and environmental impact. The Ontario Energy Board's *Environmental Guidelines for Locating, Constructing, and Operating Hydrocarbon Pipelines in Ontario* sets out its requirements. The *Environmental Guidelines* were developed in concert with provincial ministries and agencies whose mandates are affected by pipeline construction. Finalized and distributed in January 1990, the *Environmental Guidelines* incorporate the latest standards and mitigation practices of each of the ministries. They also provide for greater public participation in the planning process for pipeline construction.

When a project is approved, the Board issues an order for leave to construct. The Board also grants the authority to expropriate land for transmission pipelines and related facilities and authorizes any pipeline crossings of highways, utility lines, and ditches.

APPROVAL OF FRANCHISE AGREEMENTS

Each municipality may grant to a gas utility the right to provide gas service and use road allowances in the municipality. A prerequisite to the essential by-law granting the franchise is the Board's approval of the terms and conditions of the franchise agreement.

Many of the existing agreements date back thirty years and more. Because circumstances have changed substantially since the original agreement was made, the negotiation between the municipality and utility can be a lengthy and complex process. In 1985 the Municipal Franchise Committee was formed to develop a model franchise agreement which could be used as the basis for all new and renewed agreements. The model agreement came into effect in 1988 and sets out standard conditions for gas distribution, the use of road allowances, construction approvals, and procedures for restoring lands after construction.

In 1989-90 the Board heard fifty-two franchise renewals based on the model agreement at a considerable savings of time and expense.

CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

No person is allowed to construct any works to supply gas without Board approval. The approval, in the form of a certificate, is not given unless public convenience and necessity appear to support approval.



Catharine Haza, summer student, and Patricia Drennen, office manager, in the Board's library

NATURAL GAS STORAGE

Vital to the natural gas distribution system in Ontario is the ability to store gas. Gas storage pools therefore represent a natural resource of economic significance to the province. The main storage sites are depleted gas pools in southwestern Ontario. These storage pools are used by transmitters and distributors to meet fluctuating demand and to draw on in case of emergency. Gas is normally injected into storage during the summer months when demand is low, to be withdrawn in high-consumption periods during the winter. This balancing of load makes it possible for the transmission system from western Canada to operate efficiently.

Gas may not be injected into any geological formation unless it is a designated gas storage area as described in Regulation 700, Revised Regulations of Ontario, 1980, under the OEB Act. In reviewing applications for the use of such areas, the Board considers the geology of the pool, its suitability, the appropriate boundary of the area to be designated, the applicants' rights to use the storage capacity, the need for it, and the economic viability of developing the storage pool. The Board recommends to the Lieutenant Governor in Council designated gas storage areas, authorizes their use, and in cases where the applicants and landowners have not reached agreement, determines the compensation payable to landowners.

Applications for drilling permits for wells within a designated gas storage area must be referred to the Board for consideration by the Minister of Natural Resources, whose department issues the permits. If the applicant is the authorized operator of the gas storage area, the Board has discretion as to how it should process the application before reporting to the Minister. If the applicant is not the authorized operator the Board must proceed by way of a public hearing.

Applications to inject fluid and to pressurize a geological formation also require a permit from the Ministry of Natural Resources. If the injection well is within 1.6 kilometres of a designated gas storage area, the minister is required by the Petroleum Resources Act to seek a report from the Board.

The Board regulates the joining of the various interests within a spacing unit, field, or pool for the purpose of drilling or operating gas or oil wells, the designation of management, and the apportioning of the cost and benefits of such drilling or operation.

OTHER MATTERS

Natural gas utilities must conform to a uniform system of accounts as prescribed by the Board. No change in accounting methods may take place without the Board's approval. The Board is continuing its first significant review and upgrading of the regulation which prescribes the classification of accounting since it was made under the OEB Act in 1966.

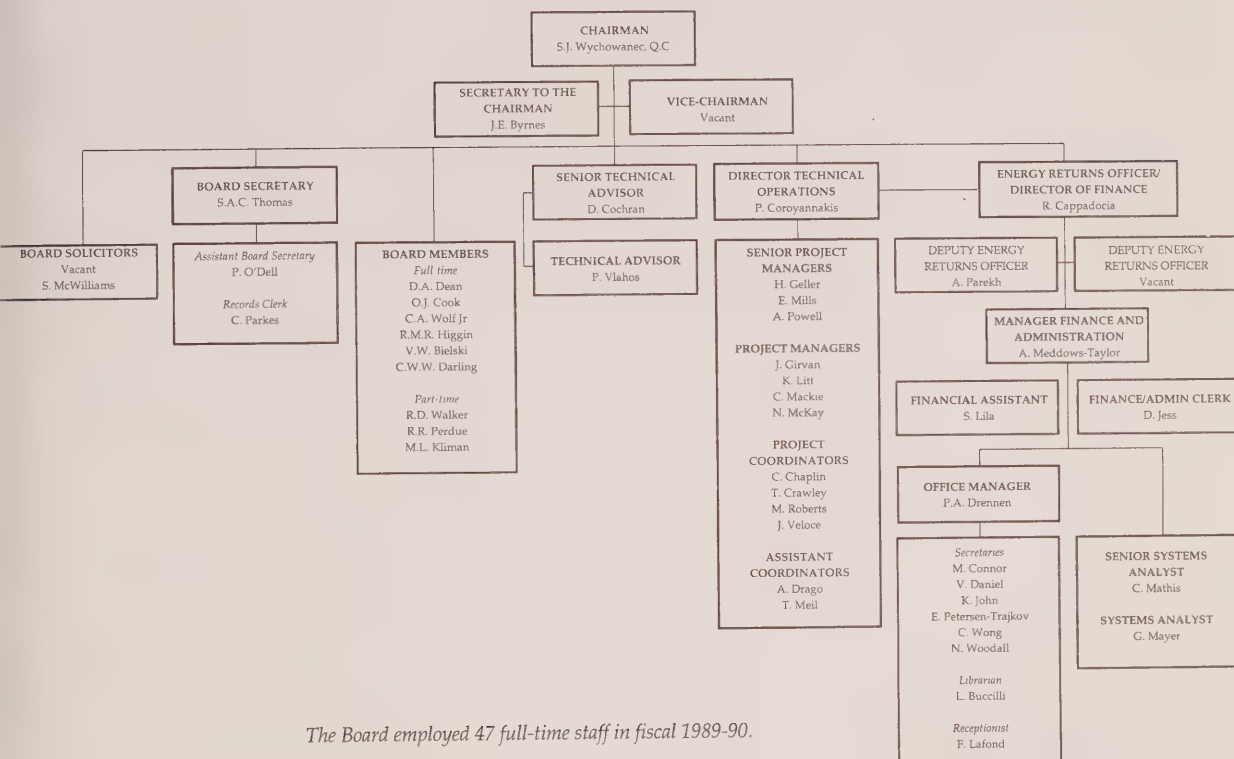
The Board receives information regularly from natural gas utilities regarding financial operations and performance. If a utility is earning either too little or too much compared with its allowed rate of return the Board's Energy Returns Officer and his or her staff may conduct a special investigation. The Board may, on its own motion, require a utility to appear before it to explain its earnings and if necessary review the rates.

The nature of public utilities changes along with the economic and social environment in which they operate. Accordingly, it is appropriate for the Board continually to review legislation relating to public utilities and, if necessary, to propose amendments.

STRUCTURE

ORGANIZATIONAL STRUCTURE AS OF MARCH 31, 1990

ONTARIO ENERGY BOARD



The Board employed 47 full-time staff in fiscal 1989-90.

FINANCIAL STRUCTURE

The Ontario Energy Board Act authorizes the Board to recover its costs by charging an appropriate portion of these costs to the utilities involved in Board hearings and related activities. Following a hearing, the Board issues a cost order to the utility concerned. This represents payment towards costs incurred by the Board and also, when ordered, those incurred by the intervenors. The amount to be paid to the Board includes out-of-pocket and direct expenses attributable to a specific hearing, as well as a contribution towards the Board's fixed costs, including overhead and payroll.

In fiscal 1989-90, the Board operated with an approved budget of \$5.7 million. Of this amount, 75 percent will be recovered by means of cost orders issued to utilities.

THE PUBLIC HEARING PROCESS

Public hearings provide an essential mechanism with which the OEB can carry out its mandate. Public hearings also provide a forum for groups or individuals, who may be affected by the Board's decisions, to express their concerns. Such public participation helps to ensure that the Board, in reaching a decision, will be informed and will consider a wide variety of views and interests. The hearing process includes eleven steps.

1 INITIATION

The hearing process begins:

- upon receipt of an application; or
- upon receipt of a reference from the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources; or
- upon notice from the Board that it will initiate proceedings to consider a matter under its jurisdiction

2 NOTICE OF APPLICATION

Applicants are required to serve the Board's notice of the application on all affected parties and interested public groups. If the Board itself has initiated a hearing, it will serve the notice. For a major rate case, a natural gas utility usually will publish notices of its application in regional daily newspapers.

When an application affects people residing in certain government-designated areas, all notices also must be published in French in French-language newspapers. A notice must appear in a French weekly newspaper if no French daily newspaper is published in the area.

3 INTERVENTIONS

Interested groups or individuals wishing to participate in the hearing are referred to as 'intervenor.' To ensure their eligibility to participate in the hearing, they must file an intervention, which explains their reasons for wishing to take part.

In 1989-90 participants could request costs for their participation at the conclusion of the hearing. On April 1, 1989, the Intervenor Funding Project Act, 1988, went into effect. It established a procedure that allows intervenors to apply for advanced funding before the hearing begins. A funding panel appointed by the Board decides on the eligibility of applicants for intervenor funding and the amount of each award. Participants may continue to ask for costs at the conclusion of the hearing as before.

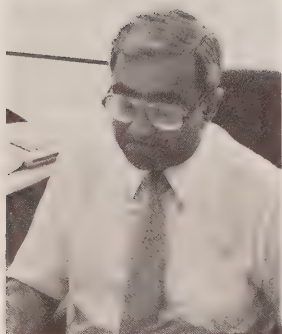
4 NOTICE OF HEARING

Once the Board has determined the scope and the nature of the hearing, it directs the applicant to serve notice of the time and place of the hearing on all parties who have intervened.

5 PRE-HEARING DOCUMENTATION

To allow sufficient time for all parties to review information pertaining to the application, the applicant must file evidence in support of its application two to three months before the hearing begins. Board staff and intervening parties may also seek additional information by way of written interrogatories. These interrogatories are answered by the utility before the hearing commences. Board staff and intervenors may also submit their own evidence to support a specific position in the hearing related to the application.

In the case of applications for the construction of pipelines, which are reviewed by the Ontario Pipeline Coordination Committee, the normal requirements of pre-filed evidence would include route selection and environmental impact studies.



Ami Parekh, deputy energy returns officer, on assignment

6 PROCEDURAL ORDERS

The Board may issue procedural orders specific to the case. Such orders may set the date for a hearing, for example, or contain deadline dates for completing certain procedural matters such as the filing of supporting evidence, interrogatories, and answers thereto. Procedural orders may also set forth a list of the issues to be dealt at the hearings.

7 'FIRST DAY' PROCEEDINGS

Before the hearing of evidence commences, the Board panel may review procedural matters, technical issues, and the general approach to the hearing. This gives the parties involved an opportunity to become familiar with the application and to identify all the issues they wish to address in the hearing.

8 THE HEARING

The Board ensures that sufficient evidence is presented, tested, and put on the record, so that an informed decision can be made. The applicant usually testifies first, through written evidence and the presentation of witnesses. Intervenor and counsel to Board staff then question these witnesses, and may offer witnesses of their own. These witnesses may be cross-examined by the applicant or by the other intervenors. When all evidence has been received, each party may offer a summation in the form of written or oral argument as directed by the Board.

The pre-filed evidence, arguments, and transcripts of the hearing are a matter of public record and are available at the Board office in Toronto.

9 BOARD DECISIONS/REPORTS

Depending on whether the hearing was a result of a reference, or either an application or a notice from the Board, the Board summarizes its deliberations in a document referred to as a 'Report,' or a 'Decision with Reasons.' These documents discuss all the issues and arguments raised in the hearing and contain the Board's recommendations or findings. Depending on the complexity of the case, the document will appear a few weeks or months after a hearing. Copies of the document are available from the Ontario Government Bookstore, 800 Bay Street, Toronto, upon payment of a modest prescribed fee. Persons involved in the hearing receive copies of the document from the Board.

In most cases referred to it by the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources, the Board's recommendations are not binding. The appropriate minister or the Lieutenant Governor in Council decides whether or not the recommendations should be implemented. In the case of references from the Minister of Natural Resources with respect to drilling permits, however, the recommendations are binding upon the minister.

10 BOARD ORDER

A Board Order is a legal document which directs the implementation of a Board Decision and is binding on the parties named.

11 REVIEW AND APPEAL

A Decision or Order of the Board may be appealed by:

- applying to the Board requesting that it rescind or vary its Order;
- petitioning the Lieutenant Governor in Council;
- appealing an Order to the Divisional Court upon a question of law or jurisdiction;
- applying to the Divisional Court for judicial review of a Board Decision.



Charles Mathis, senior systems analyst, and Gaetan Mayer-Powell, office systems analyst

REVIEW OF ACTIVITIES

Ontario Energy Board, Summary of Activities, April 1, 1989 — March 31, 1990

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION
<i>Natural Gas Rate Applications</i>			
EBRO	451	NRG	Fiscal year 1989 rate adjustment
EBRO	455	Tecumseh	Fiscal year 1990 rate adjustment
EBRO	456	Union	Fiscal year 1990 rate adjustment
EBRO	456-4-A	Pembina	Request to vary
EBRO	456-7	Union	Storage rate for National Steel
EBRO	457	C-I-L	Special rate application (Union)
EBRO	458	Northland Power	Special rate application (ICG)
EBRO	459	Ontario Housing Corporation	Rate dispute with Consumers
EBRO	462	Union	Fiscal year 1991 rate adjustment
EBRO	464	Consumers Gas	Fiscal year 1990 limited issues rate review
EBRO	465	Consumers Gas	Fiscal year 1991 rate adjustment

Reference from the Minister of Energy regarding Ontario Hydro

HR	18	Ministry of Energy	Hydro rate fiscal year 1990
----	----	--------------------	-----------------------------

Reference from Lieutenant Governor in Council

EBRLG	33	ICG	Boise Cascade cogeneration project
EBRLG	34	Inter-City Gas Corporation	Change in control of ICG to Westcoast Energy Inc.
EBRLG	35	Consumers Gas	Change in control of Consumers Gas (British Gas plc)

Pipeline Construction and Appropriation

EBLO	230 a-x	Union	Strathroy and Beachville expropriations
EBLO	232	Consumers Gas	Horseshoe Valley pipeline
EBLO	233	ICG	Oil Springs East pool
EBLO	234	Union	Dawn-Trafalgar pipeline expansion
EBLO	235	Consumers Gas	Parkway Belt West pipeline

Pipeline Exemptions

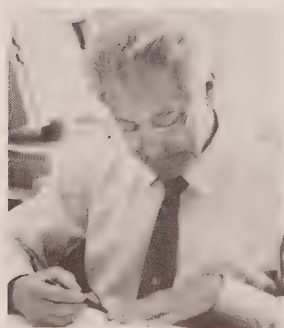
PL	67	Union	Sombra Pool pipeline
PL	68	Union	Enniskillen storage pool pipeline
PL	69	ICG	Northland Power - Cochrane project
PL	70	Union	Burford and Brantford pipeline
PL	71	ICG	Town of Kirkland Lake pipeline
PL	72	Union	City of Nanticoke pipeline

Franchise Approvals

EBA	471	Consumers Gas	Village of Rockcliffe Park
EBA	484	ICG	Town of Cobourg
EBA	536	ICG	Town of Port Hope
EBA	538	Union	Township of Euphemia - Renewal
EBA	539	Union	Township of Mitchell
EBA	540	Union	Separated Town of St Mary's
EBA	541	Union	Township of Blanshard
EBA	542	Union	Township of Downie

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION
<i>Franchise Approvals (continued)</i>			
EBA	543	Union	Township of Ellice
EBA	544	Union	Township of North Easthope
EBA	545	Union	Township of South Easthope
EBA	546	Union	Township of Fullarton
EBA	547	Union	Township of Hibbert
EBA	548	Union	Police Village of Dublin
EBA	549	Union	Township of Logan
EBA	550	Union	Town of Goderich
EBA	551	Union	Town of Seaforth
EBA	552	Union	Township of Goderich
EBA	553	Union	Township of Hullett
EBA	554	Union	Township of Sarawak
EBA	555	Union	Town of Tecumseh
EBA	556	Union	Township of Sandwich South
EBA	557	Union	Township of Tuckersmith
EBA	558	Union	Township of Flamborough
EBA	559	ICG	Town of Nickel Centre
EBA	560	Consumers Gas	Town of Wasaga Beach
EBA	561	Union	Town of Amherstburg
EBA	562	Union	Township of Anderdon
EBA	563	Union	Township of Derby
EBA	564	Union	Town of Essex
EBA	565	Union	Town of Fergus
EBA	566	Union	City of Guelph
EBA	567	Union	Township of Guelph
EBA	568	Union	Township of Malden
EBA	569	Union	Township of Nichol
EBA	570	Union	Township of Gosfield North
EBA	571	Union	Township of Norwich
EBA	572	Union	Township of Pilkington
EBA	573	Union	Township of Puslinch
EBA	574	Union	Village of St Clair Beach
EBA	575	Union	Township of Sandwich West
EBA	576	Union	Township of Gosfield South
EBA	577	Union	Township of Tilbury North
EBA	578	Union	Township of Tilbury West
EBA	579	Union	Township of West Garafraxa
EBA	580	Union	Town of Tillsonburg
EBA	581	ICG	Township of Perry
EBA	582	ICG	Township of Opasatika
EBA	583	ICG	Township of Machin
EBA	584	Union	Township of West Nissouri
EBA	585	ICG	Township of Thessalon
EBA	586	Union	Village of Elora

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION
Other Ontario Energy Board Orders			
EBO	157	C-I-L	Special rate application (Union)
EBO	159	Consumers Gas/Others	Romney 6-13-IV pool spacing
EBO	160	Union	Storage agreement with ICG
EBO	161	ICG	Boise Cascade cogeneration project
EBO	162	Union	Storage agreement with National Steel Corp.
EBO	164	Clearbeach Resources	West Becher – Designated manager
EBO	165	Clearbeach Resources	Clearville – Designated manager
EBO	166	Union	Blanket storage approval
EBO	167	ICG	Oil Springs East pool
Certificates of Public Convenience and Necessity			
EBC	139-B	ICG	Horseshoe Valley – Highlands
EBC	190	Consumers Gas	Town of Wasaga Beach
EBC	191	ICG	Township of Perry
EBC	192	ICG	Township of Opasatika
Reports to Minister of Natural Resources			
EBRM	93	Barnes	Permit to drill – Zone well
EBRM	94	Union	Permit to drill – Sombra
EBRM	95	Union	Permit to drill – Enniskillen storage pool
EBRM	96	Dow Chemical	Permit to inject salt solution mining
EBRM	97	Farmers Oil & Gas	Permit to drill – Farmers 7, Romney 2-14-III
Uniform Accounting Orders			
UA	77	Consumers Gas	General service discount – January 1, 1989
UA	78	ICG	Management audit deferral account
UA	79	Consumers Gas	Minimum cost limits for certain accounts
UA	80	ICG	Deferral account – Reduction in cost of service
UA	81	ICG	Disposition of shared services deferral account
UA	82	ICG	Deferral account – TCPL tolls
UA	83	ICG	Extension of deferral account
UA	84	ICG	Deferral account – Rate hearings
UA	85	ICG	Deferral account – Spot transportation



Doug Cochran, senior technical advisor,
researching for Board members

ONTARIO HYDRO REVIEW

BULK POWER RATES PROPOSAL HR 18

On April 30, 1989, the Minister of Energy referred to the Board Ontario Hydro's proposal to increase its bulk power rates effective January 1, 1990. Hydro proposed an average rate increase of 5.2 percent based on a net revenue requirement of \$6,643 million, which represented an increase of \$474 million over 1989 revenue.

The Minister of Energy requested the Board to consider the implications of the efficiency and effectiveness reviews, which had been prepared by management consultants after examining Hydro's corporate structure and productivity targets. The Board also examined Hydro's energy management plans and programs to determine their appropriateness and their effectiveness in meeting Hydro's objectives.

The Board Report, issued on August 31, 1989, contained fifty-two recommendations, including a recommended rate increase of 3.6 percent based on a net revenue requirement of \$6,579 million. Among the recommendations were suggestions that there be an external audit of the Darlington nuclear generating station, at present under construction, and a public review of Hydro's avoided-cost methodology. The Board recommended that Hydro establish targets for the generation of electricity by private sources and that programs of financial assistance for that generation be undertaken. In its recommendations, the Board suggested that Hydro should make labour productivity an important priority for the 1990s, that it increase its demand management target, and that it review its long-term borrowing program, its provision for future major costs (such as the replacement of pressure tubes in the nuclear generating stations), its depreciation policies, and its net income policy.



This mill at Elora is one example of non-utility generation of hydroelectric power.

.....
OTHER REFERENCES

COGENERATION HEARING EBRLG 33

By an Order in Council dated June 12, 1989, the Ontario Energy Board was directed by the Lieutenant Governor in Council to make recommendations, after holding a public hearing, on ICG Utilities (Ontario) Ltd's proposal to construct a cogeneration project on the premises of Boise Cascade Canada's pulp and paper mill in Fort Frances, Ontario. In its proposal ICG sought exemption from certain articles of undertakings it had entered into with the Lieutenant Governor in Council in 1988 that bar it from investing

in non-utility activities and require approval of transactions between it and its affiliate companies amounting to more than \$100,000 annually.

ICG proposed to have the cogeneration project owned by ICG and held as a division within the utility company. The Board was asked to determine whether or not ICG should be permitted to structure the project in this way as well as to report on whether ICG's investment in the cogeneration project, and the resulting income tax deferrals, should be separated from ICG's gas distribution activities for ratemaking purposes.

The Board's Report, dated December 21, 1989, recommended that ICG should be permitted to invest in the cogeneration project subject to certain conditions:

- ICG, its shareholders, and parent companies should execute an amendment to the 1988 undertakings to obtain dispensation of the Lieutenant Governor in Council, upon recommendation of the Board, for investment in a non-utility before any binding contractual obligations are entered into or any funds expended;
- the cogeneration project should be established in a legally and financially separate corporate entity as soon as possible;
- ICG, its shareholders, and parent companies should execute an undertaking to indemnify the regulated utility and its ratepayers against all direct and indirect liabilities and any additional costs arising from its non-utility investments.

The Board also recommended that the Lieutenant Governor in Council grant an exemption as requested regarding the supply of gas to the cogeneration project, but that it should deny ICG's request for special accounting treatment in the absence of legal separation of the project from the utility operations of the ICG. The Board recommended that ICG's request to have the assets and income of the cogeneration project separated from those of the regulated utility for ratemaking purposes should also be denied. In its Report, the Board recommended that the Government of Ontario clarify its policy on the role of gas utility companies in developing non-utility electric generation projects in the province.

The Lieutenant Governor in Council had not responded to the Board's Report by the close of the Board's fiscal year.

ACQUISITION OF ICG UTILITIES (ONTARIO) LTD EBRLG 34

By Order in Council dated October 12, 1989, the Lieutenant Governor in Council requested that the Ontario Energy Board examine and, after holding a hearing, report on whether or not leave, as required by the 1988 undertakings between the Lieutenant Governor in Council and the utility and its corporate parent, should be granted to Inter-City Gas Corporation for a change in control of ICG Canada. Inter-City was seeking approval to transfer ownership of ICG Canada and ICG Utilities (Ontario) Ltd to Westcoast Energy Inc. as set out in a letter of understanding between Westcoast and Inter-City dated July 4, 1989.

In its Report to the Lieutenant Governor in Council, dated January 31, 1990, the Board recommended that Inter-City Gas Corporation be granted leave. Approval was contingent upon Westcoast and its affiliate companies, which will control ICG (Utilities) Ontario Ltd, executing a set of revised undertakings to replace those entered into in 1988. The Board also recommended that approval be subject to compliance with conditions covering matters of the public interest not encompassed in the revised undertakings.

ACQUISITION OF THE CONSUMERS' GAS COMPANY LTD. EBRLG 35

British Gas plc applied to the Board on March 16, 1990, in accordance with Section 26 of the OEB Act for leave of the Lieutenant Governor in Council to offer to purchase the common shares of Consumers Gas. The offer for Consumers Gas' common shares would be made by a wholly owned Canadian subsidiary of British Gas pursuant to an agreement signed between British Gas and GW Utilities Limited (the corporate parent of Consumers Gas) on March 7, 1989.

On April 20, 1990, the Lieutenant Governor in Council issued an Order in Council requiring the Board, in accordance with Section 36 of the Act, to hold a hearing and report on certain matters related to the proposed offer.

The application and the reference were combined by the Board and the hearing commenced on June 26, 1990.

.....

NATURAL GAS RATE APPLICATIONS

CONSUMERS GAS

Main Rates Application and Board Review EBRO 464, 465

The OEB Energy Returns Officer audited Consumers Gas in 1989 and, based on his findings, the Board decided to review Consumers Gas' rates in a limited-issues hearing. On October 19, 1989, therefore, the Board issued a Procedural Order indicating its intent to hold a hearing to inquire into and determine rates for Consumers Gas for its 1990 fiscal year beginning October 1, 1989.

On December 1, 1989, Consumers Gas applied to the Board for a rate increase for its 1991 fiscal year commencing October 1, 1990. For purposes of expediency the Board decided to hear the cost of capital sections of the two cases simultaneously. The Board's review of the 1990 fiscal year was scheduled to begin in April 1990 with the review of the 1991 fiscal year following in the fall.



Heat exchanger at the Parkway Belt gate station, Consumers Gas

C-I-L

Special Rate Application EBRO 457, EBO 157

On December 12, 1988, C-I-L Inc., the largest industrial user of gas on Union's system, applied to the Board for approval of a special rate to be charged by Union for the transportation and storage of natural gas. The proposed seven-year rate had been agreed to by Union and C-I-L and was based on the costs that C-I-L would incur if it were to construct and operate its own transmission pipeline connecting its plant to the TCPL system. C-I-L submitted that it was in a position to bypass Union's distribution system if it were not granted a special rate.

A hearing was held on May 1 and 2, 1989, after evidence in Union's 1990 rate review had been heard. In its Decision with Reasons, dated December 1, 1989, the Board, noting the unique circumstances of the case, approved the special rate as proposed for the full seven-year period.

ICG

Review by the Board

ICG did not apply to the Board to adjust rates for its 1990 fiscal year. The Board's Energy Returns Officer reviewed the financial data and recommended that ICG be exempted from a public rate review.

NRG

Main Rates Application EBRO 451

NRG applied to the Board on February 19, 1988, for a rate increase for its 1989 fiscal year beginning October 1, 1988. The evidence supporting the application was not filed until March 29, 1989. In it the company projected a revenue deficiency of \$468,456 based on a request for 15.96 percent return on common equity and a 30.74 percent common equity ratio.

The hearing of evidence began on June 5, 1989, and lasted three days. In its Decision with Reasons dated July 24, 1989, the Board found a revenue deficiency of \$201,407 which was based on a return on common equity of 14.72 percent and a common equity ratio of 30.97 percent. The new rates became effective on August 1, 1989. The Board also expressed concern over NRG's accounting practices and urged the utility to take steps to comply with the Board's uniform system of accounts.

NORTHLAND POWER

Special Rate Application EBRO 458

Northland Power, a company in the business of designing, constructing, owning, and operating cogeneration power plants, applied to the Board on January 13, 1989, for a Board Order approving a special rate to be charged by ICG for transportation services from the TCPL system to a proposed cogeneration facility owned by it in Cochrane, Ontario. Northland resubmitted its application on August 1, 1989, with more detailed supporting information.

Northland maintained that it should receive a special rate for transportation services on ICG's system because it could reasonably construct its own pipeline and bypass ICG's system to the detriment of ICG's other customers. Although Northland noted that it would prefer to have ICG construct and operate the pipeline, it maintained that, without approval of its requested transportation rate, it might be compelled to construct its own pipeline. The rate proposed by Northland was based on an analysis of the costs it would incur if it built its own pipeline.

The hearing was held August 30 and 31, 1989. The Board's Decision denying the special rate was issued on May 24, 1990.

TECUMSEH

Main Rates Application — Interim Rate Relief EBRO 455-1, 455

On August 30, 1988, Tecumseh applied to the Board for interim rate relief for the period from September 1, 1988, to March 31, 1989. Under EBRO 455-1, the Board granted Tecumseh the rate relief to cover costs of acquiring and developing Dow-Moore storage pool.

In the same application under EBRO 455, Tecumseh requested a rate increase for its 1990 fiscal year owing to a projected revenue deficiency of \$1,139,200 based on a 14.25 percent return on common equity and a 34.16 percent common equity ratio. Tecumseh had also requested that the Board finalize the interim rates established by EBRO 455-1. The hearing began on June 20, 1989, and lasted a total of five days.

In its Decision with Reasons dated August 18, 1989, the Board found a revenue deficiency of \$531,700 based on a 12.5 percent return on common equity and a 34.26 percent common equity ratio. The Board finalized the EBRO 455-1 rates with no further adjustments.

Main Rates Application – Tecumseh Gas Storage Limited

	Requested	Allowed
		\$000
Rate base	90,415.2	90,126.4
Utility income	9,997.5	10,032.5
Gross revenue deficiency	1,139.2	531.7
		percentage
Indicated rate of return	11.06	11.13
Required rate of return	12.32	11.72
Common equity ratio	34.16	34.26
Return on common equity	14.25	12.50

UNION

Main Rates Application — Fiscal 1990 EBRO 456

As noted in the 1988-89 *Annual Report*, Union Gas Limited applied to the Board on August 31, 1988, for an increase in its rates for its 1990 fiscal year based on a projected revenue deficiency of \$32.065 million. The projected revenue deficiency was later amended to \$16.546 million, reflecting the impact of federal tax reform and Union's updated forecast based on second-quarter results for fiscal 1989. The deficiency was based on a request for a 14.875 percent rate of return on common equity and a 29 percent equity ratio. The projected deficiency was further adjusted to \$33.824 million to reflect the Board's rate reduction for the 1989 fiscal year.

On January 4, 1989, evidence began to be heard on the rate increase (phase I of the proceeding), except for rate of return issues which had been heard in November 1988 in conjunction with the review of the 1989 fiscal year. Evidence on the rate design and cost allocation (phase II of the proceeding) began on April 17, 1989.



Union constructing a NPS 42 pipeline

In its Decision dated September 26, 1989, the Board found a revenue deficiency of \$22.569 million based upon a return on common equity of 13.75 percent and a 29 percent common equity ratio. In its proposal, Union presented a new depreciation study which was accepted by the Board. Union also introduced a new rate class to provide short-term storage and cross-franchise transportation services. The Board accepted the cross-franchise transportation rate class as proposed and allowed Union to implement the short-term storage and transportation service on a trial basis, pending further examination in the next rate case.

Main Rates Application — Fiscal 1991 EBRO 462

Union applied to the Board on August 3, 1989, for a rate increase for its 1991 fiscal year. The Board amended Union's final submission to reflect new higher TCPL tolls and an error the Board detected in Union's final submission. Under this amended final submission, Union's projected revenue deficiency was \$37.708 million based on a rate base of \$1.291 billion, a rate of return on common equity of 14.5 percent and a common equity ratio of 29 percent. Recovery of this deficiency would result in a rate increase for residential customers of about 3 percent.

The hearing began on December 4, 1989, under EBRO 462, and lasted for twenty-two days. In its Decision with Reasons, dated April 9, 1990, the Board found a rate base of \$1.290 billion, a return on common equity of 13.5 percent, and a total revenue deficiency of \$29.232 million.

The Board approved the recovery of additional capital costs associated with Union's proposal to design a system to allow for 'loss of critical unit protection.' Under this proposal additional facilities are constructed so that the system can continue to meet its firm demands on a peak day in the event that the system's most critical unit goes out of service.

Energy Probe presented evidence at the hearing on sustainable development and environmental issues as these pertain to Union and the Board. Board staff supported many aspects of Energy Probe's evidence and proposed that the Board hold a generic hearing to examine the possible implementation of least-cost utility planning for Ontario's gas utilities so that they can consider different ways of meeting customer demand as well as environmental impacts when planning their systems. The Board announced it would call a generic hearing on these matters as soon as possible.

The Board also ordered Union to perform a number of studies for its next rates hearing. These include various cost studies to support an examination of incremental tolling methodologies and a cost-benefit analysis to measure the impact of shifting load from winter to summer.

Main Rates Application – Union Gas Limited EBRO 462

	Requested	Allowed
		\$000
Rate base	1,291,219	1,290,303
Utility income	135,731	136,501
Gross revenue deficiency	37,708	29,232
		percentage
Indicated rate of return	10.57	10.58
Required rate of return	12.16	11.86
Common equity ratio	29.00	29.00
Return on common equity	14.50	13.50

FACILITIES APPLICATIONS

UNION

Strathroy and Beachville Expropriations EBLO 230 a-x

On February 14, 1989, the Board approved Union's application to construct two sections of NPS 42 pipeline on its Dawn-Trafalgar transmission system between the Strathroy gate station and the Lobo compressor

station and between the Beachville transmission station and the Bright compressor station. On June 27, 1989, the Board heard applications from Union to expropriate twenty-four properties to construct the pipeline.

Five parties, owning ten properties, who had not consented to easement agreements with Union appeared at the hearing. The Board, in its Decision dated July 19, 1989, indicated its preference for easement rights to be granted through successful negotiations between the parties. It found, however, that it was in the public interest to grant Union authority to expropriate the properties given the limited time available to construct the pipeline.

Dawn-Trafalgar Pipeline Expansion EBLO 234

On July 24, 1989, Union applied to the Board for leave to construct three sections of NPS 48 pipeline looping its Dawn-Trafalgar transmission system. The proposed pipeline sections include a 10.3-kilometre section from Union's Kirkwall valve site to its Hamilton valve site, an 11-kilometre section from Milton to the Parkway compressor station, and a 48.5-kilometre section linking the Lobo compressor station to the Beachville transmission station. The two shorter sections would complete the third looping of the Dawn Trafalgar system while the longer section represents the beginning of a fourth looping.

Under the Intervenor Funding Act, an intervenor group representing several landowners with property along the proposed Lobo-to-Beachville loop was given funding to represent their interests in the case.

As proposed by Union the Board decided to hear the application in two phases. Phase I, which dealt with the two smaller segments, began on November 22, 1989, and phase II, which dealt exclusively with the Lobo-to-Beachville loop, commenced on February 6, 1990. In its phase I Decision, dated March 1, 1990, the Board approved the construction of the Kirkwall-to-Hamilton section and deferred the Milton-to-Parkway section to its phase II Decision, which was still pending at the close of the Board's fiscal year.



Enniskillen Field Compressor Station; field compressors are used to inject natural gas into Union's storage reservoirs.

CONSUMERS GAS / ICG

Horseshoe Valley service EBLO 232, EBC 139-B

On March 28, 1989, Consumers Gas applied to the Board for leave to construct a NPS 4 pipeline to serve the Horseshoe Valley area in Oro Township. On April 26, 1989, ICG applied to the Board for variance of its existing limited Certificate of Public Convenience and Necessity for Oro Township, EBC 139-A, to enable it to expand service in the Horseshoe Valley area.

The Board combined the two applications into one hearing, and in its Decision with Reasons, dated September 6, 1989, the Board granted Consumers Gas leave and denied ICG's application to vary.

Parkway Belt West EBLO 235

On September 28, 1989, Consumers Gas applied to the Board for leave to construct 13 kilometres of NPS 36 pipeline in the Parkway Belt West. Consumers Gas indicated that the pipeline was in the public interest for reasons of safety and security of supply.

The application was heard on March 20, 1990, and the Board's Decision with Reasons on May 4, 1990, approved the construction.

GAS STORAGE AND DRILLING PERMIT APPLICATIONS

UNION

Sombra Pool Drilling Permits EBRM 94

On December 22, 1988, the Minister of Natural Resources directed the Board to report on ten applications by Union for permits to drill wells in the Sombra pool designated gas storage area. Granting of the drilling permits was opposed by a landowner on whose property seven wells were to be located. Therefore, the Board held a public hearing to consider the applications; it began on April 24, 1989, and lasted three days.

In its Report dated June 1, 1989, the Board found that Union had justified its applications for drilling permits and recommended the permits be issued subject to certain conditions.

BARNES

Permit to Drill Disposal Well — Zone Pool EBRM 93

On September 30, 1988, the Minister of Natural Resources directed the Board to report on an application by Mr Lonnie Barnes to drill a brine disposal well situated above the Zone Pool which lies within a designated storage area. The Board heard the application on October 17, 1989, and approved the application subject to certain conditions.

DOW CHEMICAL

Permit to Drill and Inject EBRM 96

On April 20, 1989, the Minister of Natural Resources referred to the Board applications by Dow Chemical Canada Inc. for nine permits to inject water into an underground formation, for the purpose of producing brine. A hearing was held on March 8, 1990. In a Report dated April 5, 1990, the Board approved the drilling and injection program for a five-year period.

CONSUMERS GAS, PEMBINA EXPLORATION, AND DEVTRAN PETROLEUM

Spacing Unit and Manager Designation — Romney 6-13-IV Pool EBO 159

An application was filed with the Board by Consumers Gas, Pembina Exploration Limited, and Devtran Petroleum Limited on January 26, 1989, to join the various interests within a spacing unit regarding the Romney 6-13-IV pool. The entire pool is subject to the spacing requirements established by Ontario Regulation 55/89, approved on January 27, 1989. On March 18, 1989, Farmers Oil and Gas became an interested party when it acquired the petroleum and gas leases on the area in the spacing unit which was previously unleased.

The Board in its Decision with Reasons dated June 13, 1989, approved the compulsory pooling application with Consumers Gas receiving a 75 percent interest and Farmers Oil and Gas receiving 25 percent. Consumers Gas was designated the operator of the spacing unit. The Board also directed that the maximum drilling and completion costs towards which Farmers will pay 25 percent would be \$522,000. If Farmers elects not to contribute its share of the drilling costs, a penalty of 50 percent of the



Chris Mackie, project manager, engineering, discussing land users' concerns

drilling and completion costs plus interest was approved, to be recovered from the net production revenue.

CLEARBEACH RESOURCES

Designated Manager — West Becher Pool and Clearville Pool EBO 164, 165

Clearbeach Resources Inc. applied to the Board to be designated manager of the West Becher Pool and the Clearville Pool replacing Murphy Oil Company Ltd. The application arose from a purchase and sale agreement entered into by Clearbeach and Murphy on April 3, 1989.

The hearing was held in Chatham, Ontario, on October 23 and 24, 1989, and in Toronto on October 26, 1989. In its Decision with Reasons, dated December 11, 1989, the Board ruled that although Clearbeach had failed to satisfy the Board on all of the agreed criteria, it should be allowed to operate the pools, subject to conditions of approval which require the applicant to report to the Board on the operating history of all of its pools during 1989 and 1990.

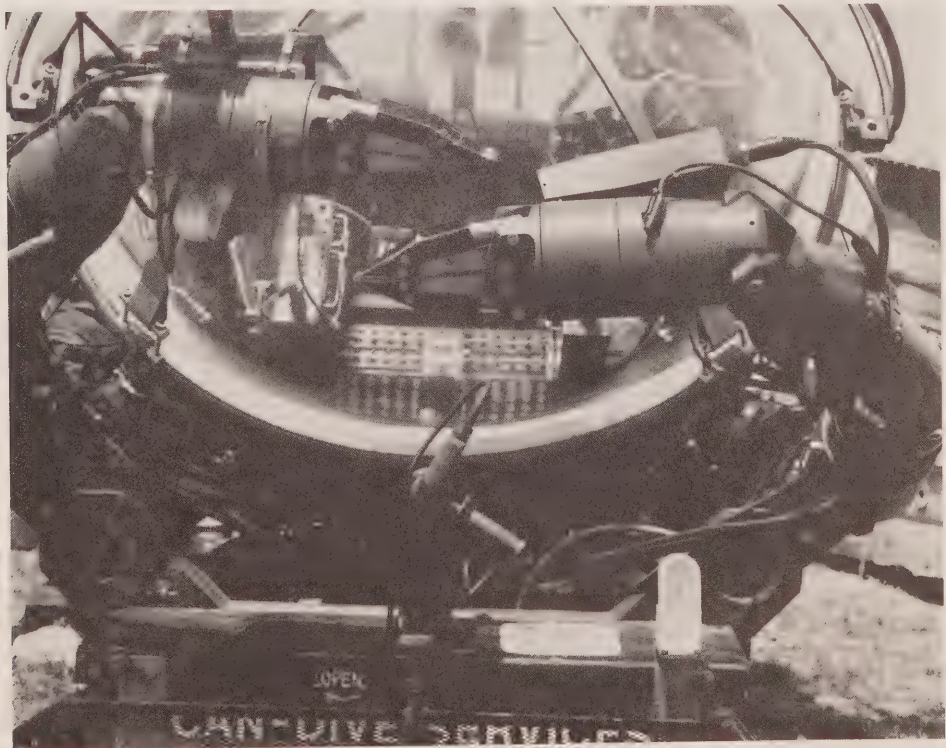
ICG

Designation of the Oil Springs East Pool and Leave to Construct EBO 167, EBLO 233

ICG applied to the Board on June 5, 1989, to designate a depleted gas reservoir known as the Oil Springs East Pool as a gas storage area. At the same time it requested authorization to inject gas into, store it in, and remove it from the pool, and applied for leave to construct a gathering system and transmission pipeline originating at the pool and extending to Union's Dawn-Trafalgar transmission line. The hearing was held in Sarnia, Ontario, on November 14 to 16, 1989.

In its Report to the Lieutenant Governor in Council on December 6, 1989, the Board found that the pool was suitable for storage and accepted the boundary proposed by ICG. The storage pool was subsequently designated by Ontario Regulation 690/89.

With respect to the application for authorization to use the pool, the Board, in its Decision with Reasons dated February 8, 1990, stipulated conditions of approval to limit the ultimate operating pressure of the pool and to improve the measures suggested to protect the environment. The Board also granted the approvals required for construction of the transmission line and gathering system.



Ontario Hydro uses the robot 'Deep Rover' to inspect the intake tunnel and discharge duct at the Bruce nuclear generating station.

GLOSSARY OF TERMS AND ACRONYMS

Argument The final step in a hearing, during which participants summarize their positions on various matters of concern based on the evidence adduced.

Bcf One billion cubic feet, a measure of gas equivalent to 28.328 million cubic metres.

Board Order A legal document directing the implementation of a Board Decision. An Order is binding on the indicated parties.

Board Recommendation Usually contained in a Board report to a minister or to the Lieutenant Governor in Council, on Ontario Hydro or some other energy-related matter. Board recommendations are not binding except in matters set out under Section 23 of the Ontario Energy Board Act.

Bulk Power Rates Wholesale electricity rates to municipalities and certain industrial customers of Ontario Hydro having an average annual power demand of 5,000 kilowatts or more.

Buy/Sell Agreement Arrangement whereby an end-user purchases gas from a producer and then sells it to the local distribution utility which comingles that gas with other supplies. The end-user then buys gas from the local utility in the usual manner. The difference between the price paid to the producer and the price received from the local utility, minus any transportation costs, accrues to the end user.

Bypass The total avoidance of the local distribution company's system for the transportation of gas.

Commodity Charge A charge per unit volume of gas actually taken by the purchaser, as distinguished from a demand charge which is a constant charge based on the maximum volume a buyer has the right to take whether or not any gas is taken in a given period.

Contract Carriage Transportation service provided for the transport of gas not owned by the transporting pipeline company; contract carriage rates are sometimes referred to as T-rates.

Contract Demand (CD) Gas which a utility or a customer has the contractual right to demand on a daily basis from the supplier of the gas.

Demand Charge A monthly charge which normally covers the fixed costs of the system. The demand charge is based on the daily contracted volume and is payable regardless of volumes taken.

Designated Gas Storage Area A land area containing geological formations into which the Board may authorize a person to inject, store, and remove gas. Injection of gas for storage into any geological formation outside a designated storage area is prohibited under Section 20 of the Ontario Energy Board Act.

Direct Sales Purchases of natural gas supply negotiated between producers and end-users at prices excluding transportation; pipeline transportation arrangements must be negotiated separately with TCPL and the local distribution utility.

Gigajoule (GJ) A measure of energy content in fuel. A typical residential consumer of gas might use about 130 gigajoules per year for household heating (one GJ of thermal energy equals approximately 0.95 million cubic feet of natural gas).

GWh Gigawatt hour

Incremental Tolling Transport tolls based on the incremental cost of providing the service.

Interrogatories Written requests for the supply of additional information, or clarification of information already received.

Intervention Notice of intent to participate in hearings, stating the interest in the proceeding. The person or group is called an intervenor.

LDC Local distribution company

Non-Utility Generation (NUG) Generation of electricity by a privately owned company.

NPS Nominal pipe size; for example, NPS 24 refers to a pipe with an approximate exterior diameter of 610 mm or 24 inches.

Ontario Pipeline Coordination Committee (OPCC) An interministerial committee, chaired by a member of the OEB staff, and including designates from those ministries of the Ontario government which collectively have a responsibility to ensure that pipeline construction and operation have minimum undesirable impact on the environment. The environment, perceived in a broad sense, covers agriculture, parklands, forests, wildlife, water resources, social and cultural resources, public safety, and landowner rights.

Rate Base The amount that a utility has invested in assets that are used or are useful in providing service, minus accumulated depreciation, plus an allowance for working capital and any other items which the Board may determine. Rate base may also be net of accumulated deferred income taxes.

Rate of Return on Common Equity Utility income, after tax, expressed as a percentage of the amount of common equity approved for inclusion in the utility's capital structure.

Rate of Return on Rate Base The income, after tax, that a utility is allowed to earn expressed as a percentage of the rate base. Note that this return is not guaranteed to the utility. Rather, this is the return that the company has a reasonable opportunity to earn given forecast conditions.

Revenue Requirement The allowed expenses of the utility are added to the allowed return on rate base to obtain the amount of revenue the utility must recover through rates to cover its costs of providing service.

Spacing Unit A prescribed area (generally 50 acres) established by regulation for the purpose of drilling a well for the production of oil and gas.

System Gas Gas supplied under contract to TCPL by gas producers.

TCPL TransCanada PipeLines Limited

Test Year A prospective period of twelve consecutive months (usually the company's next full fiscal year) for which projections of revenues, costs, expenses, and rate base are examined by the Board in order to set rates which will allow the utility the opportunity to earn a reasonable rate of return.

Throughput Gas sales, direct purchase and transportation volumes, and, where applicable, storage volumes.

Unbundled Rate A rate for an individual, separate component of service offered by a distributor, as opposed to a rate which combines the costs of a variety of component services.

WMGL Western Marketing Group Limited

Intervention : Avis d'intention de participer à une audience, dans lequel on indique les raisons pour lesquelles on s'intéresse aux délibérations. La personne ou le groupe qui en est l'auteur porte le nom d'intervenant.

NPS : Taille nominale du tube (*nominal pipe size* en anglais). Par exemple, NPS 24 désigne un tube dont le diamètre extérieur est d'environ 610 mm, ou 24 pouces.

Ordonnance de la Commission : Document juridique régissant la mise à exécution d'une décision de la Commission. Les parties concernées doivent se conformer aux dispositions qu'il contient.

Plaidoirie : Étape finale de l'audience au cours de laquelle les participants résument leur position face aux diverses questions soulevées, compte tenu des preuves présentées.

Production par une entreprise autre qu'une compagnie de services publics : Production d'électricité par une entreprise appartenant à des intérêts privés.

Recommandation de la Commission : Recommandation faisant généralement partie d'un rapport de la Commission présenté à un ministre ou au lieutenant-gouverneur en conseil et portant sur Ontario Hydro ou une autre question liée au domaine énergétique. Les parties concernées ne sont pas obligées de se conformer à ces recommandations, sauf dans les circonstances énoncées à l'article 23 de la Loi sur la Commission de l'énergie de l'Ontario.

Rendement des actions ordinaires : Revenu après impôt de l'entreprise de services publics, exprimé en pourcentage du montant des actions ordinaires, qu'elle est autorisée à inclure dans la structure de son capital.

Secteur unitaire : Superficie prescrite (en général 50 acres) établie par voie de règlement et dans les limites de laquelle le forage d'un seul puits est autorisé en vue de la production de pétrole et de gaz.

Tarif dégroupé : Tarif imposé pour une partie du service offert par un distributeur, par opposition au tarif comprenant le coût de diverses composantes d'un service.

Taux de rendement sur la base de tarification : Revenu après impôt, exprimé en pourcentage de la base de tarification, que l'entreprise de services publics est autorisée à gagner. Ce rendement n'est pas garanti mais correspond au rendement auquel l'entreprise peut raisonnablement s'attendre compte tenu des conditions prévues.

Tarifs de vente d'électricité en gros : Tarifs de vente d'électricité en gros imposés par Ontario Hydro aux municipalités et à certains clients industriels qui consomment en moyenne 5 000 kilowatts et plus par année.

TCPL : TransCanada Pipelines Limited.

Transport sous contrat : Service fourni pour le transport de gaz n'appartenant pas à la compagnie de transport par pipeline; les tarifs de transport sous contrat sont parfois appelés tarifs T.

Ventes directes : Ventes de gaz naturel négociées entre le producteur et l'utilisateur final, à des prix n'englobant pas le transport. Le transport par gazoduc doit faire l'objet d'ententes distinctes à négocier avec TCPL et l'entreprise locale de distribution.

Volume débité : Volumes de gaz vendus, achetés directement et transportés, auxquels s'ajoutent, s'il y a lieu, les volumes stockés.

Zone désignée de stockage de gaz : Territoire comportant des formations géologiques dans lesquelles une personne peut, sous réserve de l'autorisation de la Commission, injecter et stocker du gaz, pour pouvoir ensuite l'en retirer. En vertu de l'article 20 de la Loi sur la Commission de l'énergie de l'Ontario, il est interdit d'injecter du gaz dans une formation géologique ne faisant pas partie d'une zone de stockage désignée.

Base de tarification : Montant investi par une entreprise de services publics dans les biens utilisés pour fournir les services, moins l'amortissement cumulé, plus le montant consacré au fonds de roulement et tout autre poste retenu par la Commission. La base de tarification peut également être nette d'impôts sur le revenu reportés et cumulés.

Besoins en revenus : Revenus que l'entreprise de services publics doit réaliser par l'entremise des tarifs pour amortir les coûts de service. Ces revenus sont calculés en tenant compte des dépenses permises de l'entreprise et du rendement permis sur la base de tarification.

Bp3 : Abréviation désignant un milliard de pieds cubes de gaz, soit l'équivalent de 28,328 millions de mètres cubes.

Comité ontarien de coordination des pipelines (COCP) : Comité interministériel présidé par un membre du personnel de la Commission de l'énergie de l'Ontario et formé de représentants des ministères du gouvernement de l'Ontario qui se sont collectivement engagés à réduire à un minimum les répercussions environnementales de la construction et de l'exploitation de pipelines. Le concept d'environnement, interprété au sens large, englobe l'agriculture, les parcs, les forêts, la faune, les ressources en eau, les ressources sociales et culturelles, la sécurité du public et les droits des propriétaires fonciers.

Contrat d'achat et de vente : Contrat en vertu duquel un utilisateur final achète du gaz à un producteur pour le revendre à une compagnie locale de distribution qui mélange ce gaz à des volumes provenant d'autres fournisseurs. L'utilisateur final achète ensuite du gaz auprès de la compagnie locale de la façon habituelle. La différence entre le prix payé au producteur et le prix reçu par la compagnie locale, moins les frais de transport, revient à l'utilisateur final.

Demande contractuelle : Quantité de gaz qu'une entreprise de services publics ou un abonné a le droit d'exiger quotidiennement, en vertu d'un contrat, de la part du fournisseur de gaz.

Droits supplémentaires : Droits de transport calculés en fonction du coût marginal encouru par le fournisseur du service.

ELD : Entreprise locale de distribution.

Évitement : Non-utilisation du réseau de la compagnie locale de distribution pour le transport du gaz.

Exercice de référence : Période de douze mois consécutifs (en général, le prochain exercice financier complet de l'entreprise) pour laquelle des prévisions des revenus, des coûts, des dépenses et de la base de tarification sont examinées par la Commission afin d'établir les tarifs qui permettront à l'entreprise de services publics d'obtenir un taux de rendement raisonnable.

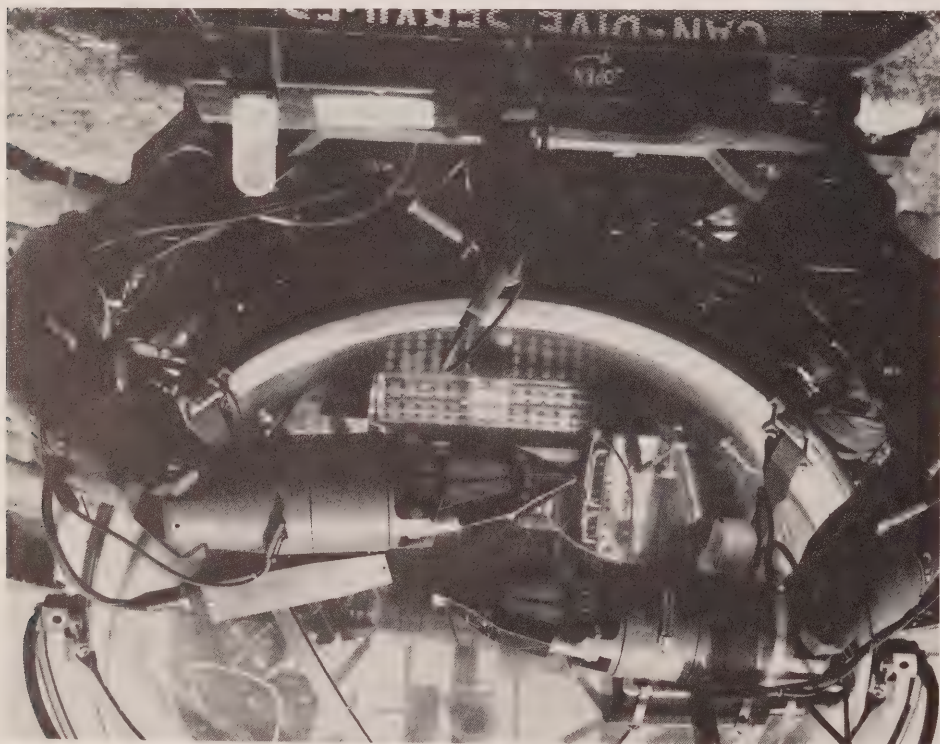
Frais liés à la demande : Frais mensuels qui couvrent généralement les frais fixes du réseau. Ces frais sont calculés en fonction du volume quotidien prévu au contrat et doivent être acquittés quels que soient les volumes de gaz pris.

Frais liés au produit : Frais perçus pour chaque unité de volume de gaz effectivement prise par l'acheteur. Ils diffèrent des frais liés à la demande, qui sont des frais constants calculés à partir du volume maximal qu'un acheteur a le droit de prendre, même si aucune quantité de gaz n'est prise pendant la période visée.

Gaz contractuel : Gaz distribué par les producteurs en vertu d'un contrat conclu avec TCPL.

Gigajoule (GJ) : Unité de mesure du contenu énergétique des combustibles et carburants. Un abonné résidentiel typique utilise environ 130 gigajoules (GJ) par an pour chauffer sa résidence (un GJ d'énergie thermique représente environ 0,95 million de pieds cubes de gaz naturel).

GWh : Gigawatt-heure.



Ontario Hydro utilise le robot "Deep Rover" pour l'inspection des tunnels de prise et des conduits d'évacuation de la centrale nucléaire de Bruce.

Dans un rapport au lieutenant-gouverneur en conseil daté du 6 décembre 1989, la Commission a indiqué qu'elle considérait que l'ancien gisement pouvait effectivement servir de réservoir de stockage, et qu'elle approuvait la délimitation proposée par ICG. Le désignation du réservoir a ensuite été officialisée par le Règlement de l'Ontario 690/89.

La Commission a approuvé l'utilisation du réservoir par sa décision motivée du 8 février 1990, mais elle a assorti cette approbation de certaines conditions : limitation de la pression d'exploitation du réservoir et application de mesures de protection de l'environnement plus rigoureuses que celles proposées. La Commission a accordé par ailleurs les autorisations requises pour la construction d'une conduite de collecte et de transmission du gaz et d'un réseau collecteur.

CONSUMERS GAS, PEMBINA EXPLORATION ET DEVRAN PETROLEUM

Unité d'espacement et désignation d'un gestionnaire – Gisement Romney 6-13-14 EBO 159

Consumers Gas, Pembina Exploration Limited et Devran Petroleum Limited ont demandé à la Commission, le 26 janvier 1989, l'autorisation de regrouper les divers intérêts d'un secteur unitaire au sujet du réservoir Romney 6-13-14. Le réservoir est soumis aux normes d'espacement fixées par le Règlement de l'Ontario 55/89, approuvé le 27 janvier 1989. Le 18 mars 1989, Farmers Oil and Gas est devenue une partie intéressée en acquérant des concessions pétrolières et gazières situées sur la partie du secteur unitaire qui n'avait pas encore été cédée à bail.

Dans sa décision motivée datée du 13 juin 1989, la Commission a approuvé la demande d'exploitation en commun obligatoire et a fixé la participation de Consumers à 75 pour 100 et celle de Farmers Oil and Gas à 25 pour 100. Elle a confié la gestion du secteur unitaire à Consumers Gas. Elle a également stipulé que les dépenses de forage et d'aménagement dont Farmers aura à payer 25 pour 100 ne devront pas dépasser 522 000 \$. Si Farmers refuse de payer sa part des dépenses de forage, elle devra acquitter une pénalité égale à 50 pour 100 des dépenses de forage et d'aménagement, plus les intérêts, le tout étant prélevé sur ses revenus nets de production.

CLEARBEACH RESOURCES

Désignation d'un gestionnaire — Réservoir de West Becher et réservoir de Clearville

EBO 164, 165

Clearbach Resources Inc. a demandé à la Commission de lui confier la gestion des réservoirs de West Beach et de Clearville en remplacement de Murphy Oil Company Ltd. La demande faisait suite à la conclusion d'un accord d'achat et de vente par Clearbach et Murphy, le 3 avril 1989. L'audience a eu lieu à Chatham (Ontario) les 23 et 24 octobre 1989, et à Toronto, le 26 octobre 1989. Dans sa décision motivée du 11 décembre 1989, la Commission, tout en notant que Clearbach n'avait pas démontré qu'elle avait satisfait à tous les critères convenus, a recommandé que cette société soit chargée de gérer les réservoirs, à condition qu'elle s'engage à rendre compte à la Commission, en 1989 et 1990, de la gestion de tous les réservoirs dont elle a la responsabilité.

ICG

Désignation comme zone de stockage du gisement désaffecté d'Oil Springs East Pool et demande de permis de construire EBO 167, EBL 223

Le 5 juin 1989, ICG a demandé à la Commission de désigner comme zone de stockage un gisement de gaz aujourd'hui épuisé, connu sous le nom de gisement d'Oil Springs East. Elle a demandé en même temps l'autorisation d'injecter, de stocker et de prélever du gaz dans ce réservoir, et a sollicité la permission de construire un réseau collecteur et une conduite de collecte et de distribution de gaz qui relierait le réservoir au gazoduc Dawn-Trafalgar appartenant à Union. L'audience s'est déroulée à Sarnia (Ontario) du 14 au 16 novembre 1989.

Desserte de Horseshoe Valley EBLO 232, EBC 139-B

Le 28 mars 1989, *Consumers Gas* a demandé à la Commission l'autorisation de construire un gazoduc NPS 4 qui desservirait Horseshoe Valley, dans le canton d'Oro. Le 26 avril 1989, ICG a soumis à la Commission une demande de dérogation aux restrictions prévues par le certificat de commodité et d'utilité publiques dont elle était déjà titulaire pour le canton d'Oro (EBC 139-A), afin de pouvoir mieux desservir Horseshoe Valley.

La Commission a consacré une seule audience aux deux demandes et, dans une décision motivée datée du 6 septembre 1989, a accordé l'autorisation demandée par *Consumers Gas*, mais a rejeté la demande de dérogation d'ICG.

Parkway Belt West EBLO 235

Le 28 septembre 1989, *Consumers Gas* a demandé à la Commission l'autorisation de construire un gazoduc NPS 36 de 13 kilomètres dans la région de Parkway Belt West. La compagnie a fait valoir que la construction de ce gazoduc était dans l'intérêt du public étant donné qu'elle accroîtrait la sûreté et la sécurité de l'approvisionnement.

La demande, examinée le 20 mars 1990, a été approuvée par la Commission le 4 mai 1990.

DEMANDES DE PERMIS DE STOCKAGE DE GAZ ET DE PERMIS DE FORAGE

.....

UNION

Permis de forage dans le réservoir de stockage de Sombra EBRM 94

Le 22 décembre 1988, le ministre des Richesses naturelles a demandé à la Commission de lui soumettre des rapports sur dix demandes de permis de forage de puits soumises par Union et concernant le secteur du gisement de Sombra, désigné comme zone de stockage. Un propriétaire de terrains sur lesquels sept puits devaient être forés s'opposait à l'octroi des permis de forage. La Commission a donc consacré à l'examen des demandes une audience publique qui s'est ouverte le 24 avril 1989 et a duré trois jours.

Dans son rapport, daté du 1^{er} juin 1989, la Commission a jugé satisfaisantes les justifications fournies par Union à l'appui de ses demandes de permis de forage et a recommandé la délivrance des permis demandés, sous certaines conditions.

BARNES

Permis de forer un puits de refoulement — Gisement de Zone EBRM 93

Le 30 septembre 1988, le ministre des Richesses naturelles a demandé à la Commission de lui soumettre un rapport sur une demande de permis soumise par M. Lonnie Barnes pour le forage d'un puits de refoulement de saumure à l'aplomb du gisement de Zone qui se trouve dans un secteur désigné pour le stockage. La Commission a examiné la demande le 17 octobre 1989 et a recommandé la délivrance du permis demandé, sous certaines conditions.

DOW CHEMICAL

Permis de forage et d'injection EBRM 96

Le 20 avril 1989, le ministre des Richesses naturelles a renvoyé à la Commission neuf demandes de permis d'injection d'eau dans une formation souterraine en vue de produire de la saumure. La Commission a consacré une audience à ces demandes le 8 mars 1990 et, dans son rapport daté du 5 avril 1990, elle a approuvé le programme de forages et d'injection pour une période de cinq ans.

Demande relative aux tarifs principaux — Union Gas Limited EBRRO 462

Demande		Autorisé	
		(en milliers de dollars)	
Base de tarification	1 291 219	1 290 303	136 501
Recettes de la compagnie	135 731	136 501	29 232
Besoins en revenus bruts	37 708		
Taux de rendement indiqué	10,57	(en pourcentage)	
Taux de rendement nécessaire	12,16	11,86	10,58
Ratio des actions ordinaires	29,00	29,00	13,50
Rendement des capitaux propres	14,50		

DEMANDES RELATIVES À DES INSTALLATIONS UNION

Expropriations dans les secteurs de Strathroy et Beachville EBL0 230 a-x

Le 14 février 1989, la Commission a approuvé la demande présentée par Union en vue de la construction de deux tronçons de gazoduc de type NPS 42 qui feraient partie du réseau de transport Dawn-Trafalgar et relieraient d'une part la station de distribution de Strathroy à la station de compression de Lobo, et d'autre part la station de ligne de Beachville à la station de compression de Bright. Le 27 juin 1989, la Commission a examiné les demandes présentées par Union en vue d'obtenir l'expropriation de vingt-quatre propriétés nécessaires à la construction de ces tronçons de gazoduc.

Cinq parties à qui appartenaient dix des propriétés et qui avaient refusé de conclure des accords de servitude avec Union ont comparu à l'audience. La Commission, dans sa décision du 19 juillet 1989, a indiqué qu'elle préférerait que la question des servitudes soit réglée par voie de négociation entre les parties. Elle a cependant conclu qu'il était de l'intérêt public de donner à Union la faculté d'acquiescer les terrains par expropriation parce que la compagnie ne disposait que de peu de temps pour construire les tronçons de gazoduc en question.

Extension du pipeline Dawn-Trafalgar EBL0 234

Le 24 juillet 1989, Union a demandé à la Commission l'autorisation de construire trois tronçons de gazoduc NPS 48 en vue du doublement du réseau de transport Dawn-Trafalgar. Les travaux envisagés devaient porter sur un tronçon de 10,3 kilomètres, entre le poste de Kirkwall et le poste de vanes de Hamilton, un tronçon de 11 kilomètres entre Milton et la station de compression de Parkway, et un tronçon de 48,5 kilomètres qui reliait la station de compression de Lobo à la station de ligne de Beachville. Les deux tronçons les plus courts permettraient de compléter le troisième doublement de la ligne Dawn-Trafalgar; le tronçon le plus long constituerait la première tranche d'un quatrième doublement de la ligne.



Chris Mackie, chef de projet (génie), rencontre des utilisateurs de terrains pour discuter de leurs préoccupations.

Un groupe d'intervenants représentant plusieurs propriétaires de biens-fonds situés sur le parcours proposé pour la ligne de doublement Lobo-Beachville a reçu, en vertu de la Loi sur l'aide financière aux intervenants, une aide pour lui permettre de défendre ses intérêts dans cette affaire.

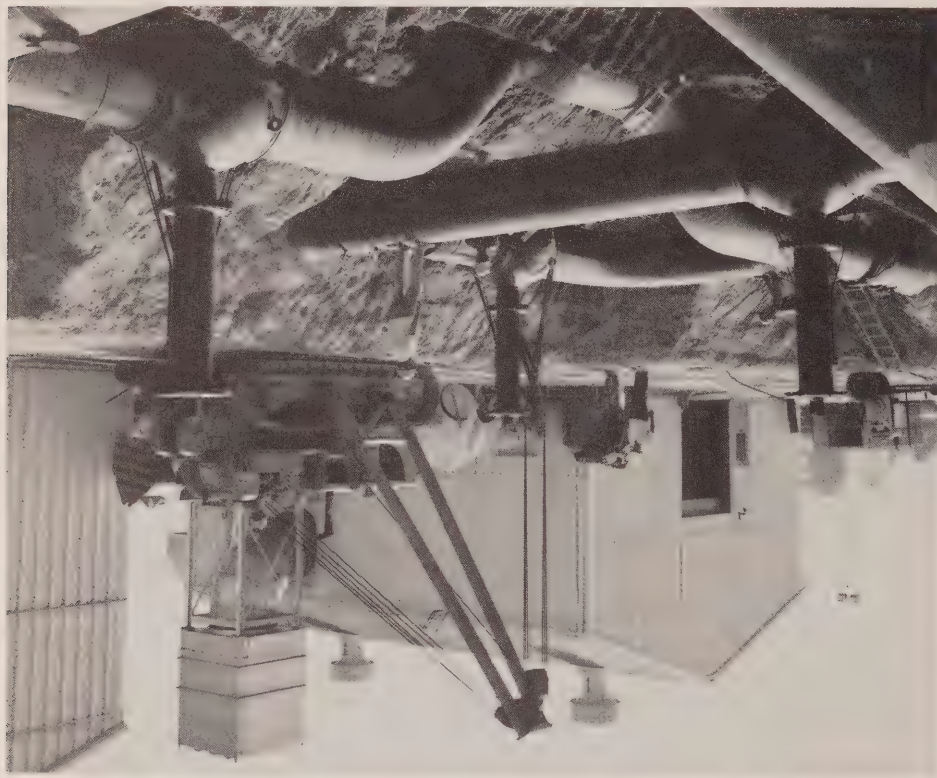
Se rangeant à une proposition d'Union, la Commission a décidé d'examiner la demande en deux temps. La première partie de l'audience, qui portait sur les deux tronçons les plus courts, a commencé le 22 novembre 1989; la seconde, qui portait exclusivement sur le tronçon Lobo-Beachville, a commencé le 6 février 1990. À l'issue de la première partie de l'audience, la Commission, par une décision datée du 1^{er} mars 1990, a approuvé la construction du tronçon Kirkwall-Hamilton et a annoncé qu'elle statuerait sur le tronçon Milton-Parkway lorsqu'elle rendrait sa décision dans le cadre de la deuxième partie de l'audience; cette décision n'avait pas encore été prise à la clôture de l'exercice de la Commission.

L'audience (EBRO 462) a commencé le 4 décembre 1989 et a duré 22 jours. Dans l'exposé des motifs de sa décision, en date du 9 avril 1990, la Commission a indiqué qu'elle avait retenu une base de tarification de 1,290 milliard de dollars et un taux de rendement des actions ordinaires de 13,5 pour 100, et constaté que les recettes d'Union seraient inférieures de 29,232 millions de dollars au montant requis pour lui permettre d'atteindre ce taux.

La Commission a autorisé la compagnie à recouvrer les dépenses d'équipement supplémentaires qu'il lui faudrait engager pour mettre sur pied un système de protection contre la défaillance d'unités essentielles. Le système proposé consistait à construire des installations supplémentaires qui permettraient au réseau, en cas de défaillance de l'unité principale, de continuer de répondre à la demande ferme en période de pointe.

Pendant l'audience, Enquête énergétique a donné des avis sur des questions ayant trait aux conditions d'une exploitation durable et à l'impact des activités économiques sur l'environnement dans le contexte des activités d'Union et des travaux de la Commission. Le personnel de la Commission, partageant sur de nombreux points les avis d'Enquête énergétique, a proposé que la Commission, lors d'une audience générale, examine la possibilité d'instituer un système de planification des activités pour les compagnies gazières de l'Ontario fondé sur le principe du moindre coût, pour qu'elles puissent, lors de la planification de leurs réseaux, envisager les diverses options qui s'offrent à elles pour satisfaire la demande et limiter l'impact écologique. La Commission a annoncé qu'elle tiendrait des que possible une audience générale sur ces questions.

La Commission a ordonné par ailleurs à Union de faire exécuter plusieurs études pour la prochaine audience consacrée à la révision de ses tarifs. Il s'agit notamment d'études de coûts destinées à faciliter l'examen des méthodes de réglementation des droits supplémentaires, et d'une analyse coûts-avantages pour mesurer l'impact d'un éventuel transfert de charge de l'hiver sur l'été.



Station de compression locale d'Enniskillen, les stations de compression locales servent à injecter du gaz naturel dans les réservoirs de stockage de la compagnie Union.

Autorisé

Demande

(en milliers de dollars)

Base de tarification	90 415,2	10 032,5	531,7
Recettes de la compagnie	9 997,5		
Besoins en revenus bruts	1 139,2		

(en pourcentage)

Taux de rendement indiqué	11,06	11,13
Taux de rendement nécessaire	12,32	11,72
Ratio des actions ordinaires	34,16	34,26
Rendement des capitaux propres	14,25	12,50

UNION

Demande relative aux tarifs principaux - Exercice financier 1990 EBRRO 456

Comme on l'a indiqué dans le *Rapport annuel* pour 1988-1989, *Union Gas Limited* avait soumis à la Commission, le 31 août 1988, une demande de relèvement tarifaire pour l'exercice financier 1990 parce qu'elle prévoyait que ses recettes seraient inférieures de 32,065 millions de dollars au montant requis. Ce chiffre a été ramené par la suite à 16,546 millions de dollars compte tenu de l'incidence de la réforme fiscale fédérale, et des projections révisées établies par *Union* sur la base des résultats du deuxième trimestre de 1989. Le calcul de l'écart entre recettes projetées et recettes requises avait été fait sur la base d'un taux de rendement des actions ordinaires de 14,875 pour 100 et d'un ratio d'autonomie financière de 29 pour 100.

L'écart projeté a été porté par la suite à 33,824 millions de dollars du fait de la réduction tarifaire

décidée par la Commission pour l'exercice 1989.

Le 4 janvier 1989, la Commission a entrepris l'examen des pièces soumises à l'appui de la demande

(phase I de la procédure), à l'exception de celles ayant trait au rendement des actions ordinaires, qui avaient été examinées en novembre 1988 lors de l'examen de l'exercice 1989. L'examen des pièces ayant trait à la structure des tarifs et à la répartition des coûts (phase II de la procédure) a commencé le 17 avril

1989.

Dans sa décision en date du 26 septembre 1989, la Commission a indiqué qu'elle avait retenu un taux de rendement des actions ordinaires de 13,75 pour 100 et un ratio d'autonomie financière de 29 pour 100, et a calculé que les recettes d'*Union* seraient inférieures de 22 569 millions de dollars au montant requis pour lui permettre d'atteindre ce taux et ce ratio. *Union* avait proposé un nouveau mode de calcul de l'amortissement, que la Commission a approuvé. *Union* avait aussi demandé l'approbation d'une nouvelle catégorie tarifaire pour les services de stockage à court terme et de transport à travers des concessions desservies par d'autres entreprises. La Commission a approuvé l'établissement de la catégorie tarifaire proposée pour le transport à travers des concessions desservies par d'autres entreprises, et a autorisé *Union* à fournir des services de stockage à court terme et de transport pendant une période d'essai, se réservant le droit de réexaminer la question lors de la prochaine révision tarifaire.

Demande relative aux tarifs principaux - Exercice 1991 EBRRO 462

Union a soumis à la Commission, le 3 août 1989, une demande de relèvement tarifaire pour l'exercice 1991. La Commission a modifié les conclusions déposées par *Union* pour tenir compte des relèvements de tarifs de TCPL et pour corriger une erreur qu'elle y avait relevée. Selon la version modifiée de ses conclusions, *Union* prévoyait que ses recettes seraient inférieures de 37,708 millions de dollars au montant requis, avec une base de tarification de 1,291 milliard de dollars, pour lui permettre d'obtenir un taux de rendement des actions ordinaires de 14,5 pour 100 et un ratio d'autonomie financière de 29 pour 100. La compagnie a indiqué que pour pouvoir atteindre ce taux et ce ratio, il lui faudrait relever d'environ 3 pour 100 son tarif applicable aux particuliers.



provisaires fixés par l'ordonnance EBR0 455-1, sans les modifier.

pour lui permettre d'atteindre ce taux et ce ratio. La Commission a donc rendu définitifs les tarifs financiers de 34,26 pour 100, ce qui entraînerait des recettes inférieures de 531 700 \$ au montant requis qu'elle avait retenu un taux de rendement des actions ordinaires de 12,5 pour 100 et un ratio d'autonomie

Dans le document intitulé « Décision et motifs » en date du 18 août 1989, la Commission a indiqué

commencé le 20 juin 1989 et a duré cinq jours.

Commission de rendre définitifs les tarifs provisoires fixés par l'ordonnance EBR0 455-1. L'audience a de 34,16 pour 100 qu'elle s'était fixés pour objectifs (EBR0 455). Tecumseh demandait aussi à la atteindre le taux de rendement des actions ordinaires de 14,25 pour 100 et le ratio d'autonomie financière la compagnie prévoyait que ses recettes seraient inférieures de 1 139 200 \$ au montant requis pour Dans la même demande, Tecumseh sollicitait un relèvement tarifaire pour l'exercice 1990, parce que

l'aménagement du réservoir de stockage de Dow-Moore.

à Tecumseh le redressement tarifaire demandé pour lui permettre de couvrir le coût de l'acquisition et de pour la période allant du 1^{er} septembre 1988 au 31 mars 1989. La Commission (EBR0 455-1) a accordé Le 30 août 1988, Tecumseh a présenté à la Commission une demande de redressement tarifaire provisoire EBR0 455-1, 455

TECUMSEH

Demande relative aux tarifs principaux — Redressement tarifaire provisoire EBR0 455-1, 455

spécial a été rendue le 24 mai 1990.

L'audience a eu lieu les 30 et 31 août 1989. La décision de la Commission rejetant la demande de tarif son propre gazoduc.

déterminé le tarif proposé à partir d'une analyse des coûts qu'elle devrait supporter si elle construisait approuvée, elle pourrait se voir dans l'obligation de construire son propre gazoduc. Northland avait Northland a insisté sur le fait que si le tarif de transport dont elle demandait à bénéficier n'était pas usagers de ce réseau. Tout en affirmant qu'elle préférerait qu'ICG construise et exploite le gazoduc, construire son propre gazoduc et de ne pas utiliser le réseau d'ICG, ce qui serait préjudiciable aux autres À l'appui de sa demande de tarif spécial, Northland a indiqué qu'il lui serait parfaitement possible de

Le 1^{er} décembre 1989, Consumers a présenté à la Commission une demande de relèvement tarifaire pour l'exercice financier 1991, qui commencera le 1^{er} octobre 1990. Pour gagner du temps, la Commission a décidé d'examiner simultanément les sections des deux dossiers ayant trait au coût du capital. La Commission devait commencer en avril 1990 l'examen de la demande de révision tarifaire pour l'exercice 1990, puis aborder, à l'automne, l'examen de la demande portant sur l'exercice 1991.

C-I-L

Demande d'approbation d'un tarif spécial EBRRO 457, EBO 157

Le 12 décembre 1988, C-I-L Inc., principal usager industriel de gaz desservi par le réseau d'Union, a demandé à la Commission d'autoriser Union à lui appliquer un tarif spécial pour le transport et le stockage du gaz naturel. Union et C-I-L s'étaient mises d'accord sur un tarif valable pour une période de sept ans, établi sur la base des coûts que C-I-L devrait assumer s'il lui fallait construire et exploiter elle-même un gazoduc reliant son usine au réseau de TCPL. C-I-L affirmait être en mesure de s'approvisionner en gaz sans recourir au réseau de distribution d'Union au cas où le tarif spécial lui serait refusé. La Commission a consacré une audience à cette affaire les 1^{er} et 2 mai 1989, après avoir entendu des témoignages sur la révision des tarifs d'Union pour 1990. Dans sa décision datée du 1^{er} décembre 1989, la Commission signalait le caractère particulier de cette affaire et approuvait le tarif spécial demandé, pour la période de sept ans indiquée dans la demande.

ICG

Examen de la Commission

ICG n'a présenté aucune demande de révision tarifaire à la Commission pour son exercice financier 1990. L'agent de la Commission chargé des rapports sur l'énergie, après avoir étudié les données financières pertinentes, a recommandé qu'ICG soit exemptée d'un examen public des tarifs.

NRC

Demande relative aux tarifs principaux EBRRO 451

NRC a présenté à la Commission, le 19 février 1989, une demande de relèvement tarifaire pour l'exercice 1989, qui avait commencé le 1^{er} octobre 1988. La Commission n'a été saisie que le 29 mars 1989 des pièces soumises par NRC à l'appui de sa demande. Dans celles-ci, la compagnie prévoyait que ses recettes seraient inférieures de 468 456 \$ au niveau requis pour atteindre le taux de rendement des actions ordinaires de 15,96 pour 100 et le ratio d'autonomie financière de 30,74 pour 100 qu'elle s'était donnée comme objectifs.

L'examen des pièces du dossier a commencé le 5 juin 1989 et a duré trois jours. Dans le document intitulé « Décision et motifs » en date du 24 juillet 1989, la Commission a indiqué qu'elle avait retenu un taux de rendement des actions ordinaires de 14,72 pour 100 et un ratio d'autonomie financière de 30,97 pour 100. Comme les recettes de NRC allaient être inférieures de 201 407 \$ au montant requis, la Commission a autorisé un relèvement tarifaire à partir du 1^{er} août 1989. Elle s'est par ailleurs montrée préoccupée par les pratiques comptables de NRC et a invité la compagnie à prendre des mesures pour aligner ses méthodes sur le système comptable uniforme approuvé par la Commission.

NORTHLAND POWER

Demande d'approbation d'un tarif spécial EBRRO 458

Northland Power, qui conçoit, construit, possède et exploite des centrales électriques de cogénération dont elle est propriétaire, a demandé à la Commission, le 13 janvier 1989, d'émettre une ordonnance approuvant un tarif spécial à appliquer par ICG pour le transport de gaz entre le réseau de TCPL et une centrale de cogénération qu'elle envisageait de construire à Cochrane (Ontario) et qui lui appartenait. Northland a réitéré sa demande le 1^{er} août 1989, en l'accompagnant d'informations justificatives plus détaillées.

ACQUISITION DE CONSUMERS' GAS COMPANY LTD EBR/LC 35

Le 16 mars 1990, British Gas plc a soumis une requête à la Commission, conformément à l'article 26 de la Loi sur la CEO, en vue d'obtenir du lieutenant-gouverneur en conseil l'autorisation de lancer une offre d'achat des actions ordinaires de Consumers Gas. British Gas a fait savoir que l'offre d'achat des actions ordinaires émanerait d'une de ses filiales canadiennes dont elle était propriétaire à 100 pour 100, conformément à un accord conclu le 7 mars 1989 entre British Gas et GW Utilities Limited (société mère de Consumers Gas).

Le 20 avril 1990, le lieutenant-gouverneur en conseil a émis un décret enjoignant à la Commission, conformément à la section 36 de la Loi sur la CEO, de tenir une audience et de déposer un rapport sur certaines questions concernant l'offre d'achat. La Commission a décidé d'examiner ces questions et la demande de British Gas lors d'une audience qui a commencé le 26 juin 1990.



Echangeur thermique à la station de distribution de Parkway Belt, exploitée par Consumers Gas.

DEMANDES DE RÉVISION DES TARIFS DU GAZ NATUREL CONSUMERS GAS

Demande relative aux tarifs principaux EBR/O 464 et 465

L'agent de la CEO chargé des rapports sur l'énergie a procédé à une vérification de Consumers Gas pendant l'été 1989, sur la base des résultats de cet examen, la Commission a décidé de revoir les tarifs de Consumers lors d'une audience portant sur un ordre du jour restreint. Dans son ordonnance du 19 octobre 1989, elle annonçait qu'elle tiendrait une audience pour revoir les tarifs de Consumers Gas et y apporter éventuellement des modifications pour l'exercice financier 1990, qui avait commencé le 1^{er} octobre 1989.

d'ICG Utilities (Ontario) Ltd prévoyant la construction d'une centrale de cogénération sur l'emplacement de l'ancienne usine de pâtes et papiers de Boise Cascade Canada, à Fort Frances (Ontario). Pour la réalisation de ce projet, ICG souhaitait obtenir une dérogation à certains statuts d'engagements conclus en 1988 avec le lieutenant-gouverneur en conseil, qui lui interdisaient d'investir dans des secteurs hors des services publics et de conclure avec ses compagnies affiliées, sans y avoir été préalablement autorisée.

des transactions dépassant 100 000 \$ par an.

ICG envisageait de devenir propriétaire de la centrale de cogénération, et d'en faire une de ses divisions. La Commission était appelée à décider s'il fallait ou non autoriser ICG à absorber de la sorte la nouvelle centrale et s'il y avait lieu de traiter séparément, aux fins du calcul de la base de tarification d'investissement d'ICG dans ce projet de construction et les reports d'impôt sur le revenu correspondant d'une part, et les activités de distribution de gaz de la compagnie, d'autre part.

Dans son rapport, daté du 21 décembre 1989, la Commission a recommandé d'autoriser ICG à investir

- dans le projet de construction d'une centrale de cogénération, à condition que :
 - avant de souscrire des obligations contractuelles ou d'engager des dépenses, ICG, ses actionnaires et les sociétés auxquelles elle est affiliée souscrivent à un amendement aux engagements de 1988 afin d'obtenir du lieutenant-gouverneur en conseil, agissant sur les recommandations de la Commission, une dérogation à l'interdiction d'investir dans des entreprises autres que des entreprises de service publics;
 - la centrale de cogénération soit, dans les meilleurs délais, constituée en entreprise juridiquement et financièrement distincte d'ICG;
 - ICG, ses actionnaires et les sociétés auxquelles elle est affiliée s'engagent à indemniser la compagnie réglementée de services publics et ses abonnés pour tout préjudice direct ou indirect et pour tout charge supplémentaire résultant des investissements d'ICG dans des entreprises autres que de entreprises de services publics.

La Commission a aussi recommandé au lieutenant-gouverneur en conseil d'accorder la dérogation demandée pour ce qui est de l'approvisionnement en gaz de la centrale de cogénération, mais de refuser en revanche à ICG le traitement fiscal spécial qu'elle avait demandé, et ce tant que la centrale de cogénération n'aura pas été constituée en entreprise juridiquement distincte de la division d'ICG occupant de services publics. La Commission a recommandé de ne pas autoriser ICG à séparer les actifs et les revenus de la centrale de cogénération de ceux de l'entreprise réglementée de services publics pour calculer les tarifs. Dans son rapport, la Commission a demandé au gouvernement de l'Ontario de préciser sa politique quant à la participation des compagnies de distribution de gaz à la réalisation, dans la province, de projets de construction de centrales électriques qui ne sont pas des entreprises de service publics.

À la clôture de l'exercice de la Commission, le lieutenant-gouverneur en conseil n'avait pas encore fait part de ses réactions au rapport de la Commission.

ACQUISITION D'ICG UTILITIES (ONTARIO) LTD EBRLC 34

Par un décret pris le 12 octobre 1989, le lieutenant-gouverneur en conseil a demandé à la Commission d'examiner l'opportunité d'accorder à *Inter-City Gas Corporation*, conformément aux engagements intervenus en 1988 entre le lieutenant-gouverneur en conseil, la société de services publics et sa société mère, l'autorisation de transférer à une autre entité la propriété d'ICG Canada, il lui a aussi demandé un rapport sur cette question après y avoir consacré une audience. *Inter-City* souhaitait être autorisée à transférer la propriété d'ICG Canada et d'ICG Utilities (Ontario) Ltd à *Westcoast Energy Inc.*, selon les modalités prévues dans un protocole d'accord entre *Westcoast* et *Inter-City* daté du 4 juillet 1989.

Dans son rapport au lieutenant-gouverneur en conseil, daté du 31 janvier 1990, la Commission recommandait d'accorder à *Inter-City Gas Corporation* l'autorisation demandée, sous réserve que *Westcoast* et ses sociétés affiliées, qui deviendront propriétaires d'ICG (Utilities) (Ontario) Ltd, exécutent une série d'engagements révisés en remplacement de ceux pris en 1988. La Commission a aussi recommandé qu'il soit stipulé dans les engagements révisés.

Le rapport de la Commission, publié le 31 août 1989, comptait 52 recommandations, dont une préconisait un relèvement tarifaire de 3,6 pour 100 sur la base de besoins en revenus de 6 579 millions de dollars. La Commission y recommandait également de procéder à une vérification comptable externe de la centrale nucléaire de Darlington, actuellement en construction, et de consacrer des audiences publiques à la méthode de comptabilisation des sommes économisées employée par Hydro. La Commission a en outre recommandé à Hydro de fixer des objectifs de production d'électricité pour les compagnies privées et de mettre sur pied des programmes d'assistance financière à leur intention. La Commission a aussi suggéré à Hydro de faire figurer l'amélioration de la productivité de la main-d'œuvre parmi ses objectifs prioritaires pour 1990, de rendre plus ambitieux ses objectifs de gestion de la demande, et de réexaminer son programme d'emprunts à long terme, ses provisions pour gros travaux (par exemple, le remplacement des circuits sous pression dans les centrales nucléaires), sa politique d'amortissement et sa politique en matière de revenu net.



Cette usine implantée à Elora constitue un exemple de production d'énergie hydroélectrique par une compagnie autre qu'une entreprise de services publics.

AUTRES AFFAIRES RENVOYÉES À LA COMMISSION DE COGÉNÉRATION EBR/CG 33 AUDIENCE SUR LE PROJET DE CONSTRUCTION D'UNE CENTRALE

Par un décret pris le 12 juin 1989, le lieutenant-gouverneur en conseil a demandé à la Commission de l'énergie de l'Ontario de faire des recommandations, à la suite d'une audience publique, sur un projet

Doug Cochran, conseiller technique principal, effectuant des recherches pour le compte des membres de la Commission.



EXAMEN DE LA DEMANDE D'ONTARIO HYDRO

HR 18

PROPOSITION DE RELÈVEMENT DES TARIFS DE VENTE D'ÉLECTRICITÉ EN GROS

Le 30 avril 1989, le ministre de l'Énergie a renvoyé à la Commission la demande d'Ontario Hydro d relever ses tarifs de vente d'électricité en gros à compter du 1^{er} janvier 1990. Cette proposition prévoit une majoration moyenne de 5,2 pour 100 touchant l'ensemble de sa clientèle, et était calculée en fonction de besoins en revenus nets de 6 643 millions de dollars, soit 474 millions de dollars de plus que les recettes de 1989.

Le ministère de l'Énergie a demandé à la Commission de tirer les conclusions des études sur l'efficacité et le rendement réalisées par des consultants en gestion suite à un examen de la structure d'Ontario Hydro et de ses objectifs de productivité. La Commission a examiné aussi les plans et programmes de gestion de l'énergie afin d'en évaluer la validité et de déterminer s'ils permettront à Hydro d'atteindre ses objectifs.

Rapports au ministre des Richesses naturelles

EBRM 93	Barnes	Permis de forage – Puits de zone
EBRM 94	Union	Permis de forage – Sombra
EBRM 95	Union	Permis de forage – réservoir de stockage d'Enniskillen
EBRM 96	Dow Chemical	Permis d'injecter de la solution saline à des fins d'extraction
EBRM 97	Farmers Oil & Gas	Permis de forage Farmers 7, Romney 2-14-III

Certificats de commodité et de nécessité publiques

EBO 154	C-1-L Inc.	Demande de tarif spécial (Union)
EBO 159	Consumers Gas / Autres	Volume unitaire – réservoir de stockage de Romney 6-13-IV
EBO 160	Union	Accord de stockage avec ICG
EBO 161	ICG	Projet de cogénération de Boise Cascade
EBO 162	Union	Accord de stockage avec National Steel Corp.
EBO 164	Clearbeach Resources	West Becher – Nomination d'un directeur
EBO 165	Clearbeach Resources	Clearville – Nomination d'un directeur
EBO 166	Union	Autorisation globale de stockage
EBO 167	ICG	Réservoir de stockage d'Oil Springs est

EBC 139-B	ICG	Horseshoe Valley – Highlands
EBC 190	Consumers Gas	Ville de Wasaga Beach
EBC 191	ICG	Canton de Perry
EBC 192	ICG	Canton d'Opasatika

TYPE DE CAS
N° DE DOSSIER

REQUÉRANT

OBJET

BA	543	Union	Canton d'Ellice
BA	544	Union	Canton d'Easthope nord
BA	545	Union	Canton d'Easthope sud
BA	546	Union	Canton de Fullarton
BA	547	Union	Canton d'Hibbert
BA	548	Union	Village partiellement autonome de Dublin
BA	549	Union	Canton de Logan
BA	550	Union	Ville de Goderich
BA	551	Union	Ville de Seaforth
BA	552	Union	Canton de Goderich
BA	553	Union	Canton d'Hullett
BA	554	Union	Canton de Sarawack
BA	555	Union	Ville de Tecumseh
BA	556	Union	Canton de Sandwiche sud
BA	557	Union	Canton de Tuckersmith
BA	558	Union	Canton de Flamborough
BA	559	ICC	Ville de Nickel Centre
BA	560	Consumers Gas	Ville de Wasaga Beach
BA	561	Union	Ville d'Amherstburg
BA	562	Union	Canton d'Anderdon
BA	563	Union	Canton de Derby
BA	564	Union	Ville d'Essex
BA	565	Union	Ville de Fergus
BA	566	Union	Cité de Guelph
BA	567	Union	Canton de Guelph
BA	568	Union	Canton de Malden
BA	569	Union	Canton de Nichol
BA	570	Union	Canton de Gosfield nord
BA	571	Union	Canton de Norwich
BA	572	Union	Canton de Pilkington
BA	573	Union	Canton de Puslinch
BA	574	Union	Village de St Clair Beach
BA	575	Union	Canton de Sandwiche ouest
BA	576	Union	Canton de Gosfield sud
BA	577	Union	Canton de Tilbury nord
BA	578	Union	Canton de Tilbury ouest
BA	579	Union	Canton de West Carleton
BA	580	Union	Ville de Tillsonburg
BA	581	ICC	Canton de Perry
BA	582	ICC	Canton d'Opasatika
BA	583	ICC	Canton de Machin
BA	584	Union	Canton de West Nissouri
BA	585	ICC	Canton de Thessalon
BA	586	Union	Village d'Elora

RÉCAPITULATION DES ACTIVITÉS

Résumé des activités de la Commission de l'énergie de l'Ontario entre le 1^{er} avril 1989 et le 31 mars 1990

TYPE DE CAS	N° DE DOSSIER	REQUÉRANT	OBJET
-------------	---------------	-----------	-------

Demandes de révision des tarifs de transport/distribution du gaz naturel

EBRO	451	NRG	Relèvement des tarifs pour l'exercice 1989
EBRO	455	Tecumseh	Relèvement des tarifs pour l'exercice 1990
EBRO	456	Union	Relèvement des tarifs pour l'exercice 1990
EBRO	456-4-A	Pembina	Demande de modification
EBRO	456-7	Union	Tarifs de stockage pour National Steel
EBRO	457	C-I-L	Demande de fixation de tarifs spéciaux (Union)
EBRO	458	Northland Power	Demande de fixation de tarifs spéciaux (ICG)
EBRO	459	Ontario Housing Corporation	Différend avec Consumers Gas en matière de tarifs
EBRO	462	Union	Relèvement des tarifs pour l'exercice 1991
EBRO	464	Consumers Gas	Examen des tarifs pour l'exercice 1990
EBRO	465	Consumers Gas	(étude d'un nombre restreint de questions) Relèvement des tarifs pour l'exercice 1991

Renvoi de la part du ministre de l'Énergie au sujet d'Ontario Hydro

HR	18	Ministère de l'Énergie	Tarifs de distribution d'électricité pour l'exercice 1990
----	----	------------------------	---

Renvoi de la part du lieutenant-gouverneur en conseil

EBRLG	33	ICG	Projet de cogénération de Boise Cascade
EBRLG	34	Inter-City Gas Corporation	Prise de contrôle d'ICG (Westcoast Energy Inc.)
EBRLG	35	Consumers Gas	Prise de contrôle de Consumers Gas (British Gas plc)

Construction de pipelines et expropriations

EBLO	230 (a-x)	Union	Expropriation - Strathroy et Beachville
EBLO	232	Consumers Gas	Pipeline de Horseshoe Valley
EBLO	233	ICG	Aménagement du réservoir de stockage d'Oil Springs
EBLO	234	Union	Prolongement du pipeline Dawn-Trafalgar
EBLO	235	Consumers Gas	Pipeline de Parkway Belt West

Exemptions relatives à des pipelines

PL	67	Union	Pipeline du réservoir de stockage de Sombra
PL	68	Union	Pipeline du réservoir de stockage d'Enniskillen
PL	69	ICG	Projet Northland Power Cochrane
PL	70	Union	Pipeline de Burford et Brantford
PL	71	ICG	Pipeline de la ville de Kirkland Lake
PL	72	Union	Pipeline de la cité de Nanticoke

Autorisations relatives aux concessions

EBBA	471	Consumers Gas	Village de Rockcliffe Park
EBBA	484	ICG	Ville de Cobourg
EBBA	536	ICG	Ville de Port Hope
EBBA	538	Union	Canton d'Euphemia - Renouvellement
EBBA	539	Union	Canton de Mitchell
EBBA	540	Union	Ville autonome de St.Mary's
EBBA	541	Union	Canton de Blanshard
EBBA	542	Union	Canton de Downie

6 ORDONNANCES DE PROCÉDURE

La Commission peut émettre des ordonnances de procédure se rapportant expressément à l'affaire à l'étude. Entre autres, ces ordonnances peuvent fixer la date de l'audience ou prévoir la date limite avant laquelle certaines formalités doivent être accomplies, telles que le dépôt de preuves justificatives, l'envoi de questionnaires et la communication des résultats de ces questionnaires. L'ordonnance de procédure peut également prévoir une liste des questions à aborder lors de l'audience.

7 DÉLIBÉRATIONS LIMINAIRES

Avant le début de l'audience, les représentants de la Commission peuvent proposer de revoir les questions de procédure, les points techniques et la démarche qui sera suivie pendant l'audience. De cette manière, les parties en cause peuvent se familiariser avec tous les aspects de la demande et définir les questions qu'elles désirent soulever.

8 AUDIENCE

La Commission s'assure que les preuves présentées sont suffisantes, qu'elles ont été vérifiées et qu'elles sont versées au dossier, de façon à rendre sa décision en connaissance de cause. En règle générale, c'est le requérant qui présente d'abord son argumentation, en produisant des preuves écrites et en faisant comparaître des témoins. Les intervenants et l'avocat de la Commission interrogent ensuite les témoins et peuvent eux aussi faire entendre leurs propres témoins. Ces derniers peuvent être contre-interrogés par le requérant et par les autres intervenants. Lorsque toutes les preuves ont été présentées, chaque partie peut récapituler les faits dans une plaidoirie écrite ou verbale, selon les directives de la Commission. Les preuves déposées par anticipation, les plaidoiries et les transcriptions des délibérations qui ont eu lieu à l'audience sont tenues à la disposition du public, au bureau de la Commission, à Toronto.

9 DÉCISIONS ET RAPPORTS DE LA COMMISSION

Selon que l'audience résulte d'un renvoi, d'une demande ou d'un avis de la Commission, cette dernière doit présenter un résumé de ses délibérations dans un document intitulé « Rapport », ou « Décision et motifs ». Ce document porte sur toutes les questions soulevées lors de l'audience et énonce les recommandations et les conclusions de la Commission. Sa publication peut exiger plusieurs semaines ou même plusieurs mois, selon la complexité de l'affaire en cause. On peut se procurer des exemplaires de ce document contre paiement d'une somme modique, à la Librairie du gouvernement de l'Ontario, 800, rue Bay, à Toronto. La Commission en remet des exemplaires aux personnes ayant participé à l'audience. Dans la plupart des affaires étudiées à la demande du lieutenant-gouverneur en conseil, du ministre de l'Énergie ou du ministre des Richesses naturelles, les parties concernées ne sont pas tenues de se conformer aux recommandations de la Commission. Le ministre concerné ou le lieutenant-gouverneur en conseil décide s'il doit ou non donner suite à ses recommandations. Toutefois, lorsqu'il s'agit d'un renvoi de la part du ministre des Richesses naturelles au sujet d'un permis de forage, le ministre doit se conformer aux recommandations de la Commission.

10 ORDONNANCE DE LA COMMISSION

Une ordonnance de la Commission est un document juridique sommant les parties citées de mettre à exécution la décision de la Commission. Elle a force exécutoire.

11 RÉVISION ET APPEL

On peut interjeter appel d'une décision ou d'une ordonnance de la Commission comme suit :

- en demandant à la Commission d'annuler ou de modifier son ordonnance;
- en adressant une pétition au lieutenant-gouverneur en conseil;
- en interjetant appel de l'ordonnance de la Commission devant la Cour divisionnaire sur une question de droit ou de compétence juridique;
- en demandant à la Cour divisionnaire de procéder à une révision judiciaire de la décision de la Commission.

Charles Mathis, analyste fonctionnel principal, et Gaëlle Mayer-Powell, analyste fonctionnelle.



Les audiences publiques sont l'un des principaux mécanismes qui permettent à la Commission de s'acquies de son mandat. Les audiences publiques donnent également la possibilité de se faire entendre aux groupes et particuliers qui peuvent être touchés par les décisions de la Commission. La participation du public permet à la Commission de s'assurer que ses décisions sont justes et qu'elles tiennent compte des divers points de vue et intérêts. L'audience est un processus en onze étapes.

1 DÉBUT

- Le processus est mis en branle :
- sur réception d'une demande;
 - sur réception d'une demande adressée par le lieutenant-gouverneur en conseil, le ministre de l'Énergie ou le ministre des Richesses naturelles; ou
 - lorsque la Commission décide d'étudier une question relevant de sa compétence.

2 AVIS DE PRÉSENTATION D'UNE DEMANDE

Les requérants doivent remettre à toutes les parties concernées et à tous les groupes publics intéressés l'avis de la Commission se rapportant à leur demande. Si la Commission décide de tenir une audience de sa propre initiative, c'est elle qui transmet l'avis à qui de droit. Lorsque l'audience porte sur une modification de tarif importante, la compagnie de gaz naturel fait d'ordinaire publier le texte de son avis de présentation de demande dans les quotidiens de la région touchée.

Lorsqu'une demande touche les habitants de certaines régions désignées par le gouvernement, tous les avis doivent également paraître en français dans des quotidiens de langue française. Si aucun quotidien de langue française n'est publié dans la région, l'avis doit paraître dans un hebdomadaire de langue française.

3 INTERVENTIONS

Les groupes et les personnes qui désirent participer à une audience – les « intervenants » – doivent déposer un avis d'intervention décrivant les raisons pour lesquelles ils désirent être présents.

En 1989-1990, les participants pouvaient demander le remboursement de leurs frais de participation à l'issue de l'audience. La Loi de 1988 sur le projet d'aide financière aux intervenants, qui est entrée en vigueur le 1^{er} avril 1989, permet aux intervenants de demander une indemnisation avant la tenue de l'audience. Un comité de financement constitué par la Commission décide si les requérants sont admissibles à cette aide et, le cas échéant, fixe le montant qui leur sera versé. Les participants peuvent continuer à demander le remboursement de leurs frais à la clôture de l'audience, comme par le passé.

4 AVIS D'AUDIENCE

Lorsque la Commission a déterminé la nature et la durée probable de l'audience, elle demande au requérant d'aviser toutes les parties concernées de l'heure et du lieu où elle se déroulera.

5 DOCUMENTATION PRÉPARATOIRE

Afin de permettre à toutes les parties d'étudier la documentation relative à la demande, le requérant doit remettre les documents à l'appui de sa demande de deux à trois mois avant le début de l'audience. Le personnel de la Commission et les intervenants peuvent également demander à l'entreprise de service publics de répondre à des questions par écrit avant la tenue de l'audience. Ils peuvent aussi présenter leurs propres arguments pour étayer leur position lors de l'audience.

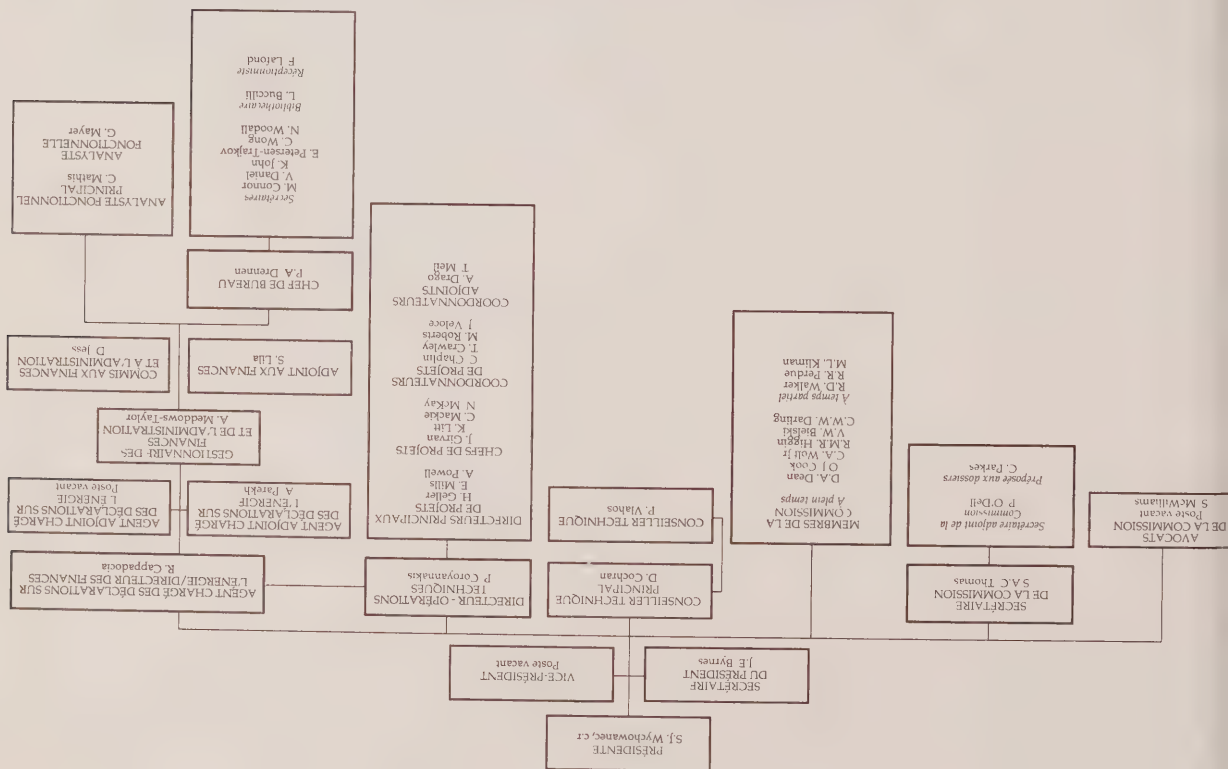
Lorsque la demande porte sur la construction de pipelines, elle est d'abord étudiée par le Comité ontarien de coordination des pipelines. Par conséquent, les documents préparatoires doivent indiquer le tracé choisi et être accompagnés d'études portant sur les répercussions environnementales prévues.



Ami Parekh, agent adjoint chargé des déclarations sur l'énergie, photographié au cours d'une mission.

ORGANIGRAMME AU 31 MARS 1990

COMMISSION DE L'ÉNERGIE DE L'ONTARIO



Au cours de l'exercice 1989-1990, la Commission a employé 47 personnes à temps plein.

STRUCTURE FINANCIÈRE

La Loi sur la Commission de l'énergie de l'Ontario autorise la Commission à recouvrer une partie de ses frais auprès des entreprises de services publics qui participent à ses audiences et autres activités connexes. Après la tenue d'une audience, la Commission remet à l'entrepreneur de services publics en cause une ordonnance de coûts qui représente une partie des frais engagés par la Commission et, si cette dernière en décide ainsi, les frais engagés par les intervenants. Le montant à payer à la Commission comprend les dépenses directes et les débours associés à une audience précisée, ainsi qu'une portion des frais généraux et administratifs.

Pour l'exercice 1989-1990, le budget de fonctionnement de la Commission était de 5,7 millions de dollars. De ce montant, 75 pour 100 seront récupérés par l'entremise des ordonnances de coûts remises aux compagnies.

En 1989-1990, la Commission a examiné 52 demandes de renouvellement de concessions reprenant les termes du modèle d'accord, ce qui a permis de réaliser des économies de temps et d'argent considérables

CERTIFICATS DE COMMODITÉ ET D'UTILITÉ PUBLIQUES

Nul ne peut construire un ouvrage d'approvisionnement en gaz sans l'autorisation préalable de la Commission. Délivrée sous forme de certificat, cette autorisation n'est consentie que si la commodité et l'utilité publiques semblent la justifier.

STOCKAGE DU GAZ NATUREL

L'aptitude à stocker le gaz est essentielle au bon fonctionnement du réseau de distribution de l'Ontario. Les réservoirs de stockage constituent donc une ressource naturelle très importante pour l'économie de la province. La plupart des emplacements de stockage sont d'anciens gisements de gaz situés dans le Sud-Ouest de la province. Ils sont utilisés par les transporteurs et les distributeurs pour répondre aux fluctuations de la demande et aux situations d'urgence. En règle générale, le gaz est stocké pendant l'hiver, lorsque la demande est relativement faible, pour être récupéré en période hivernale lorsque la demande est très forte. Grâce à ce système, le réseau de distribution du gaz provenant de l'Ouest canadien peut fonctionner efficacement.

En vertu de la *Loi sur la Commission de l'énergie de l'Ontario*, il est interdit de stocker du gaz dans une formation géologique à moins qu'il ne s'agisse d'un emplacement conforme à la description figurant dans le Règlement 700 des Règlements refondus de l'Ontario, 1980. Lorsqu'elle étudie une demande visant l'aménagement d'un réservoir naturel de stockage, la Commission doit déterminer si la structure géologique se prête à l'usage proposé et, dans l'affirmative, en définir les limites géographiques; elle établit en outre si le requérant a le droit d'exploiter ce réservoir, si la demande correspond à un besoin réel et si les activités prévues sont rentables. La Commission recommande au lieutenant-gouverneur et conseil les emplacements à désigner pour le stockage; elle autorise leur utilisation et décide de l'indemnisation payable aux propriétaires terriens en cas de désaccord entre ces derniers et les requérants. Les demandes de permis de forage de puits dans une zone désignée de stockage de gaz doivent être soumises à l'examen de la Commission par le ministre des Richesses naturelles, au nom duquel les permis sont délivrés. Si le requérant est également l'exploitant autorisé de la zone de stockage, la Commission peut traiter la demande comme elle l'entend avant de faire rapport au ministre. Toutefois, si le requérant n'est pas l'exploitant autorisé, la Commission doit tenir une audience publique.

Les compagnies qui désirent stocker sous pression des fluides dans une formation géologique doivent obtenir un permis auprès du ministre des Richesses naturelles. Si le puits d'injection est situé à moins de 1,6 km d'une zone désignée pour le stockage du gaz, le ministre doit demander à la Commission d'étudier la question et de présenter un rapport à ce sujet, conformément à la *Loi sur les richesses pétrolières*. La Commission réglemente l'association de divers intérêts qui s'unissent pour forer et exploiter des puits de gaz et de pétrole dans un secteur unitaire, un champ ou un gisement. Elle réglemente aussi la nomination des gestionnaires et la répartition des coûts et avantages associés à ces activités de forage et d'exploitation.

AUTRES QUESTIONS

Les compagnies de gaz naturel doivent utiliser le système de comptabilité uniforme établi par la Commission et ne peuvent s'en écarter sans son autorisation préalable. La Commission poursuit son travail de mise à jour du règlement prescrivant la classification des méthodes de comptabilité. Il s'agit de la première région de ce document depuis l'adoption de la *Loi sur la Commission de l'énergie de l'Ontario*, en 1966.

Les compagnies de gaz naturel communiquent régulièrement à la Commission des données sur leurs opérations et leurs résultats financiers. Lorsque les recettes d'une compagnie sont trop faibles ou trop élevées par rapport au taux de rendement permis, l'agent de la Commission chargé de l'examen des rendements en matière d'énergie peut mener une enquête spéciale avec le concours de son personnel. La Commission peut, de sa propre initiative, exiger d'une compagnie qu'elle compare ses données devant elle pour lui fournir des explications sur ses recettes; elle peut également, le cas échéant, procéder à une révision des tarifs. La nature des services publics évolue au rythme des conditions économiques et sociales. Il convient donc que la Commission procède à un examen permanent des lois qui touchent les services publics et, au besoin, qu'elle propose des modifications.



Patricia Drennen, chef de bureau, dans la bibliothèque de la Commission.

APPROBATION DE NOUVELLES INSTALLATIONS

Par ailleurs, en cas de changement de propriétaire d'une entreprise de services publics, la Commission peut être appelée à tenir une audience et à faire rapport. L'autorisation du lieutenant-gouverneur en conseil est obligatoire lorsque une entreprise de services publics exprime l'intention de vendre ses biens ou de fusionner avec une autre entreprise à vocation semblable, et lorsqu'un particulier compte acheter plus de 20 pour 100 des actions d'une entreprise de services publics, quelle que soit la catégorie d'actions en cause. La Commission peut recommander qu'il n'y ait pas d'audience, ou peut au contraire tenir une audience et présenter son rapport et ses recommandations au lieutenant-gouverneur en conseil. La Commission peut aussi, de sa propre initiative, tenir des audiences générales pour examiner des questions qui relèvent de ses compétences. Ces audiences visent généralement à faire la lumière sur des tendances nouvelles ou sur des domaines qui présentent un intérêt croissant, et examinent une question dans un contexte plus global que ne le permettrait une audience ponctuelle.

Les compagnies désireuses de construire un pipeline pour le transport de gaz naturel en Ontario doivent obtenir l'autorisation de la Commission. En outre, tous les projets de construction sont examinés par le Comité ontarien de coordination des pipelines (COCP), organisme interministériel chargé des questions de sécurité et des répercussions environnementales relatives à la construction des pipelines. Placé sous la présidence d'un membre de la Commission, le COCP se compose de représentants des ministères de l'Agriculture et de l'Alimentation, de l'Énergie, de l'Environnement, de la Consommation et du Commerce, des Richesses naturelles, de la Culture et des Communications, des Affaires municipales et des Transports. Se joignent aussi au comité, s'il y a lieu, les représentants d'organismes régionaux que les compagnies de gaz naturel consultent aux premiers stades de leurs travaux de planification. Le COCP tâche de s'assurer que la construction des pipelines n'entraîne pas, à long terme, des conséquences néfastes pour l'environnement, et que les perturbations à court terme restent minimes pendant les travaux. Ce faisant, le comité étudie chaque proposition, examine les divers tracés et emplacements possibles, et règle toutes les questions soulevées avant qu'une demande officielle d'autorisation de construire ne soit présentée à la Commission.

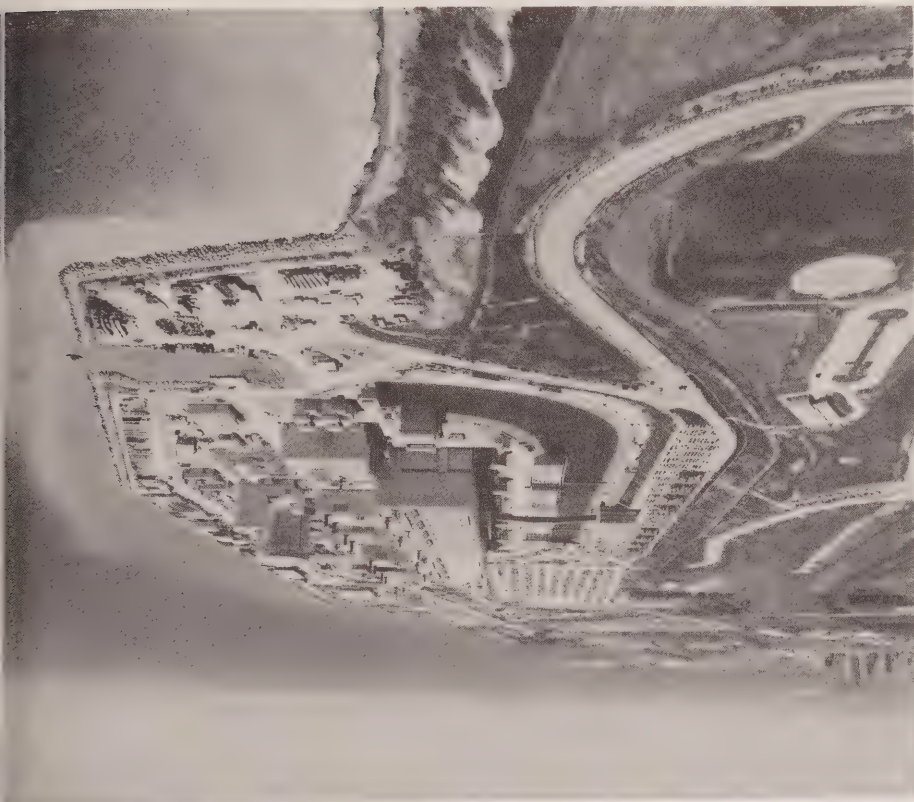
Lorsqu'elle reçoit une telle demande, la Commission doit décider si le projet sert effectivement les intérêts du public, après l'avoir examiné du point de vue de la sécurité, de la rentabilité, des retombées pour la collectivité, de la sécurité d'approvisionnement, des avantages pour la compagnie et des incidences environnementales. La brochure de la Commission de l'énergie de l'Ontario intitulée *Directives environnementales applicables à la localisation, la construction et l'exploitation des canalisations de transport d'hydroparcours*, énonce tous les critères à respecter. Cette publication a été élaborée de concert avec les ministères et organismes provinciaux intéressés par la construction des pipelines. Ce document, dont la version définitive a été réalisée et distribuée en janvier 1990, contient les toutes dernières normes et pratiques appliquées par chaque ministère en matière de protection de l'environnement. Les *Directives* de pipelines.

Lorsqu'elle accorde son approbation à un projet, la Commission émet une ordonnance accordant l'autorisation de construire. Elle autorise également les expropriations nécessaires à l'installation des pipelines et des installations connexes, et son consentement est exigé lorsqu'un pipeline doit traverser une autoroute, une ligne à haute tension ou un fossé.

APPROBATION DES ACCORDS DE CONCESSION

Toute municipalité peut accorder à la compagnie de gaz de son choix le droit de fournir un service sur son territoire et d'utiliser les emprises routières. Mais avant que puisse être adopté le règlement municipal dont dépend l'attribution de la concession, la Commission doit approuver les conditions afférentes à l'accord de concession.

Bon nombre des accords actuels remontent à plus de trente ans. Étant donné les changements considérables qui sont survenus depuis lors, les négociations entre une municipalité et une compagnie de services publics peuvent être longues et difficiles. C'est pourquoi le Comité des accords de concession a été créé en 1985 en vue de rédiger un modèle d'accord dont s'inspireraient tous les accords nouveaux ou reconduits. Le modèle, qui est entré en vigueur en 1988, établit les conditions types devant présider à la distribution du gaz, à l'utilisation des emprises routières, aux autorisations de travaux, et à la



Le lieutenant-gouverneur en conseil, le ministre de l'Énergie et le ministre des Richesses naturelles peuvent demander à la Commission de tenir une audience publique sur une question précise et de leur faire rapport. Ces renvois portent d'ordinaire sur des questions liées à l'énergie et suscitent souvent un vif intérêt parmi le public. La encore, la Commission joue un rôle consultatif, sans plus.

RENVOS ET AUDIENCES GÉNÉRALES

Ontario Hydro est la plus importante société d'État en Ontario. Au 31 décembre 1989, elle possédait un actif de 36,28 milliards de dollars et desservait, directement ou indirectement, plus de 3,55 millions de clients, dont 85 pour 100 d'abonnés résidentiels. La vente de 134 000 GWh dans la province et de 2 300 GWh à l'exportation lui a permis d'enregistrer des recettes de 6,3 milliards de dollars.

Les tarifs de vente en gros d'électricité d'Ontario Hydro (applicables aux municipalités et à certains consommateurs industriels) sont établis par le Conseil d'administration de la société. Toutefois, lorsque l'Ontario Hydro désire modifier ses tarifs, elle doit soumettre une proposition en ce sens au ministre de l'Énergie, qui saisit la Commission du dossier en lui fournissant toutes les données techniques et financières pertinentes. À l'issue d'une audience publique qui débute généralement fin mai ou début juin et qui dure environ quatre semaines, la Commission rédige un rapport assorti de recommandation et qu'elle remet au ministre de l'Énergie au plus tard le 31 août de chaque année. Le rôle de la Commission étant consultatif, ses recommandations n'ont pas force exécutoire pour Ontario Hydro.

EXAMEN DES TARIFS D'ONTARIO HYDRO

Tecumseh Gas Storage Limited exploite des réservoirs de stockage de gaz dans le Sud-Ouest de l'Ontario. Contrôlée conjointement par la Compagnie pétrolière impériale et Consumers, et exploitée exclusivement par Consumers Gas, cette compagnie a réalisé des recettes d'environ 19 millions de dollars pendant son exercice financier. Consumers Gas et Union sont les seuls clients de Tecumseh.

tarification moyenne de 3,313 millions de dollars, et le volume total de ses ventes était de 12 274 millions de mètres cubes. La compagnie affichait des recettes d'environ 3,13 millions de dollars pour son exercice financier 1989.



Christiane Wong, Ena Petersen-
n/kov et Veronica Daniel, trois
membres du personnel de soutien.

Distribution du gaz naturel en Ontario



The Consumers' Gas Company Ltd est le plus important distributeur canadien de gaz naturel et dessert quelque 1 019 620 consommateurs résidentiels, commerciaux et industriels dans le Sud, le Centre et l'Est de l'Ontario. Par le biais de sociétés affiliées ne relevant pas de la compétence de la Commission, *Consumers* distribue également du gaz dans l'Ouest du Québec et le Nord de l'État de New York. Au 30 septembre 1989, date de clôture de son dernier exercice financier, sa base de tarification se chiffrait à 1,494 milliard de dollars. Le volume total de gaz débité par *Consumers* durant cet exercice a été de 10,472 milliards de mètres cubes, ses recettes totales se montant à 1,8 milliard de dollars. Le 7 mars 1990, la compagnie *British Gas plc* a annoncé qu'elle avait l'intention d'acquiescer toutes les actions ordinaires de *Consumers Gas*. La Commission a entrepris un examen de la transaction prévue et a organisé des audiences publiques qui ont commencé le 26 juin 1990.

Union Gas Limited, deuxième compagnie de distribution ontarienne par ordre d'importance, approvisionne les consommateurs du Sud-Ouest de la province. Elle exploite aussi un réseau de pipelines, d'installations de stockage et de stations de compression pour le compte de clients et d'autres entreprises de services publics dans l'Est de l'Ontario et au Québec. Au 31 mars 1990, sa base de tarification s'établissait à environ 1,15 milliard de dollars. Elle comptait plus de 596 000 clients résidentiels, commerciaux et industriels, et son réseau aura débité un volume total estimé à 15,9 milliards de mètres cubes pendant l'exercice financier 1989, y compris le gaz acheminé pour le compte d'autres compagnies distributrices. Le volume total de gaz livré à des clients s'occupant de distribution (c'est-à-dire à des compagnies qui vendent ou transportent du gaz) atteignait 8,2 milliards de mètres cubes. Pendant le même exercice, *Union Gas Ltd.* a réalisé des recettes totales de 1,2 milliard de dollars.

ICG Utilities (Ontario) Ltd approvisionne en gaz une centaine de collectivités du Nord-Ouest, du Nord et de l'Est de l'Ontario. Son réseau de distribution se compose d'environ 6 142 kilomètres de pipelines raccordés à plus de 76 points de livraison sur le réseau de transport de TransCanada Pipelines (TCPL). Il s'agit en fait d'une série d'embranchements le long du réseau ontarien de TCPL, de Kenora aux rives du lac Ontario et jusqu'au Saint-Laurent. Au 31 décembre 1989, la base de tarification moyenne d'ICG se chiffrait à plus de 411 millions de dollars. Pour approvisionner quelque 175 000 abonnés, ICG a acheminé en tout 3,568 milliards de mètres cubes. Les recettes totales d'ICG durant l'exercice 1989 ont atteint environ 506 millions de dollars.

Natural Resource Gas Limited (NRG) est une petite entreprise de services publics fournissant du gaz à 2 028 abonnés de la région d'Aylmer. Au 30 septembre 1989, NRG avait une base de

Construction d'un pipeline NPS 36; la grue latérale soutient une section enrobée de béton avant submersion dans un réservoir



En Ontario, les tarifs applicables à la vente du gaz doivent être approuvés par la Commission. Les distributeurs de gaz sont tenus de soumettre leurs projets de tarifs à l'approbation de la Commission, qui les examine en général une fois par an. Les tarifs de chaque compagnie sont fixés à l'issue d'une audience publique. La durée d'une audience peut être de trois à quatre semaines.

Les tarifs ne sont pas les mêmes pour les consommateurs résidentiels, commerciaux et industriels. Lorsqu'elle établit les tarifs, la Commission tient compte des coûts associés aux fluctuations de la demande des différentes catégories de consommateurs. Ainsi, la demande de gaz naturel utilisée pour le chauffage résidentiel varie en fonction des conditions météorologiques et de la période de la journée. Par conséquent, il en coûte plus cher, par unité, d'approvisionner les abonnés résidentiels que les industries ou les consommateurs résidentiels. Les tarifs doivent être « justes et raisonnables » pour les clients comme pour les investisseurs, d'autre part. Les tarifs doivent être « justes et raisonnables » pour les clients comme pour les investisseurs, d'autre part. Les tarifs doivent être « justes et raisonnables » pour les clients comme pour les investisseurs, d'autre part.

La Commission s'efforce de réaliser un équilibre entre les prix que doivent payer les consommateurs et les recettes escomptées par les compagnies. La Commission peut accorder un redressement tarifaire provisoire aux compagnies ou au consommateur lorsque les frais ou les revenus d'une compagnie de services publics subissent ou sont susceptibles de subir des modifications importantes. En pareil cas, ces rajustements peuvent faire l'objet d'une audience spéciale qui dure généralement un jour ou deux. Les tarifs provisoires sont sujets à révision et ne deviennent définitifs qu'à partir du moment où la Commission rend sa décision finale et émet un ordonnance.

Dans le cadre des audiences relatives aux tarifs, la Commission doit non seulement s'assurer que les compagnies de services publics pratiquent des tarifs raisonnables, mais encore que le service fourni est de qualité satisfaisante.

L'gaz naturel revêt une grande importance pour l'Ontario, tant comme source d'énergie que comme matière première dans diverses industries, notamment celle des produits chimiques. Le gaz naturel constitue le principal combustible de tous les secteurs de l'économie, excepté celui des transports, et il est le combustible privilégié pour le chauffage de l'eau et des locaux dans la province. En fait, l'Ontario utilise plus de gaz naturel que toute autre province, sa consommation représentant environ 41 pour 100 du total de la demande de gaz naturel canadien. Le gaz représente quelque 30 pour 100 de l'énergie consommée dans la province, tandis que l'électricité, dont la population va croissant, représente 18 pour 100 environ. Les combustibles et carburants liquides (pétrole et liquides du gaz naturel), le charbon et le bois viennent compléter la liste des sources d'énergie utilisées dans la province.

La Commission de l'énergie de l'Ontario est chargée de réglementer l'industrie du gaz naturel en fixant les tarifs, en autorisant la construction des lignes de transport et en avalisant les accords de concession. En outre, la Commission fournit des conseils au ministre de l'énergie sur des questions générales touchant l'industrie du gaz naturel, de même que sur des aspects intéressant l'Ontario Hydro. Dans tous les cas qui lui sont soumis, la Commission veille à l'équité des tarifs, à la sécurité des approvisionnements et à la sauvegarde de l'intérêt public.

Le présent rapport décrit le mandat de la Commission, ainsi que son rôle et ses obligations. Il contient une liste de toutes les activités menées durant l'exercice écoulé, dont certaines sont présentées dans leurs grandes lignes.

MANDAT

La Commission de l'énergie de l'Ontario a été créée en 1960 à titre d'organisme officiel et impartial chargé de réglementer divers aspects de l'industrie ontarienne du gaz naturel. Outre ses fonctions de réglementation, la Commission, à la demande du lieutenant-gouverneur en conseil, du ministre de l'Énergie ou du ministre des Richesses naturelles, formule des recommandations sur diverses questions relatives à l'énergie, par exemple les modifications apportées par l'Ontario Hydro à ses tarifs de vente en gros. Dans toutes ses activités, la Commission de l'énergie de l'Ontario vise avant tout à servir le public et à protéger ses intérêts.

La plupart des responsabilités et pouvoirs de la Commission sont énoncés dans la Loi sur la Commission de l'Énergie de l'Ontario et, accessoirement, dans six autres lois, à savoir :

- la Loi sur les concessions municipales;
- la Loi sur les richesses pétrolières;
- la Loi sur les services publics;
- la Loi sur l'évaluation foncière;
- la Loi sur la Société du chauffage par district de Toronto;
- la Loi de 1988 sur le projet d'aide financière aux intervenants;
- la Loi sur le projet d'aide financière aux intervenants.

La Loi sur le projet d'aide financière aux intervenants a été proclamée le 1^{er} avril 1989 par le lieutenant-gouverneur en conseil. Ce projet pilote, d'une durée de trois ans, prévoit un mécanisme pour financer l'avance le recours des intervenants qui comparaissent devant certaines instances officielles, y compris la Commission de l'énergie de l'Ontario. Il prescrit les critères sur lesquels doit s'appuyer le comité d'examen établi en vertu de la Loi lorsqu'il décide d'approuver ou de rejeter une demande d'aide financière présentée par un intervenant.

RÔLE ET RESPONSABILITÉS

FIXATION DES TARIFS DU GAZ NATUREL

Toutes les compagnies de gaz naturel vendent et transportent du gaz dans les régions de la province où elles détiennent une concession. Le marché de l'énergie est désormais soumis aux lois de la concurrence, car les acheteurs peuvent traiter directement soit avec les producteurs de gaz, soit avec les distributeurs, ou encore choisir une autre source d'énergie. Du fait que le transport du gaz nécessite un vaste réseau de pipelines et d'installations de stockage, le monopole demeure la plus efficace des formules puisqu'il ne tolère pas le double emploi et empêche les augmentations tarifaires qui auraient lieu autrement.

Une autre première à signaler est la décision prise par la Commission de consacrer une audience générale à la mise en oeuvre éventuelle, par les compagnies de distribution de gaz de l'Ontario, d'un système de planification fondé sur le principe du moindre coût, qui permettrait de tenir compte, lors de la planification des réseaux de distribution, des exigences des consommateurs et des effets sur l'environnement. L'audience générale devrait normalement se tenir au début de 1991.

La Commission a également soumis son rapport annuel sur le relèvement des tarifs de vente en gros d'électricité d'Ontario Hydro. Elle ne s'est pas bornée à faire des recommandations sur le relèvement des tarifs; elle a aussi suggéré de procéder à un examen public de la méthode de comptabilisation des sommes économisées par Ontario Hydro, à qui elle a recommandé d'encourager davantage les économies d'électricité, et de réexaminer sa politique en matière de bénéfice net.

Ainsi, pendant l'exercice 1989-1990, la Commission a non seulement réglé des questions tarifaires qui reviennent régulièrement à son ordre du jour, mais elle a aussi abordé de nouvelles questions dont l'importance ira croissant. La principale mission de la Commission - réglementer les activités d'un monopole naturel - est en cours d'évolution. En réglementant les tarifs, la Commission ne doit pas seulement offrir aux consommateurs un service de qualité à des prix raisonnables sans exercer de discrimination; elle se doit aussi de repérer et de soutenir les mesures propres à favoriser les économies d'énergie et à rationaliser l'utilisation de l'énergie.

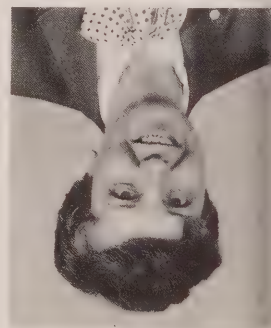
Les compagnies de services publics et la Commission auront de nombreuses questions à résoudre au cours de la décennie qui commence. J'ai la certitude qu'elles y réussiront.

La présidente,
S.J. Wychowane, c.r.

Amphibian



Les membres de la Commission au 31 mars 1990. De gauche à droite: R.R. Perdue, M.L. Kliman, R.M.R. Higgins, C.W.W. Darli, V.W. Bielski, O.J. Cook, S.J. Wyckhorst (présidente), D.A. Dean, R.D. Walker, C.A. Wolf Jr.



J. Wychowannek, c.r., présidente de la Commission

Au cours des années 80, l'industrie ontarienne du gaz naturel a été influencée par deux événements importants sur lesquels elle n'a eu pratiquement aucune prise : l'introduction en octobre 1980 par le gouvernement fédéral du Programme énergétique national (PEN), et la conclusion, en 1985, de l'Accord sur les marchés et les prix du gaz naturel, signé par le gouvernement fédéral et les provinces productrices de l'Ouest canadien.

Le prix de vente du gaz aux distributeurs locaux, qui avait été réglementé par le PEN, s'est trouvé brusquement libéré par l'accord. Le fait que les compagnies de services publics et la Commission aient réussi, sans modification de la législation existante, à s'adapter à de pareils changements et à faire face aux profondes répercussions qu'ils ont eues, démontre bien la souplesse du cadre réglementaire en place dans la province. Non seulement les compagnies de distribution de gaz naturel peuvent-elle prospérer en Ontario, mais elles sont aussi à même d'offrir un service de haute qualité à leurs abonnés.

Pendant les années 80, les trois principales compagnies de services publics de l'Ontario ont changé de mains avec une fréquence inusitée, et elles ont conclu des « engagements » avec le lieutenant-gouverneur en conseil. Une compagnie qui signalait un tel accord s'engageait, de même que sa société mère et toute société de holding dont elle relevait, à ne pas se lancer sans l'accord de la Commission dans des entreprises relevant du secteur non réglementé, et à mener ses activités de service public conformément aux exigences du lieutenant-gouverneur en conseil.

Au cours de la décennie qui commence – que l'on appelle déjà la « décennie verte » – les conditions d'un développement durable, le réchauffement de la planète et les économies d'énergie seront au premier plan des préoccupations. Il ne fait aucun doute que les considérations écologiques tiendront une place de plus en plus importante dans la conduite des affaires, et qu'elles auront un impact considérable sur les compagnies de gaz naturel de l'Ontario, ainsi que sur Ontario Hydro.

Le mouvement d'opinion en faveur de la protection de l'environnement va contribuer à élargir le marché des compagnies de distribution de gaz, mais il encouragera aussi les économies d'énergie. L'accroissement de la capacité de transport et de stockage revêtira une importance croissante dans les années 90, mais il faudra aussi tenir dûment compte des préoccupations des propriétaires terriens concernés par la construction des gazoducs et l'aménagement des réservoirs de stockage. Concilier ces deux aspects ne sera pas une tâche facile, mais elle sera essentielle pour assurer la sécurité d'approvisionnement et relever la Commission et les entreprises dont elle réglemente les activités.

Le résumé des décisions prises par la Commission pendant le dernier exercice financier – en particulier sur les questions d'évitement – montre bien que la déreglementation continue d'avoir des retombées. Après avoir examiné pour la première fois un projet de cogénération (proposé par ICG Utilities (Ontario) Ltd et Boise Cascade Canada), la Commission a noté qu'il était certes louable d'encourager la production d'électricité par des entreprises autres que des compagnies de services publics, mais que cette formule de production pouvait se trouver en contradiction avec le principe de la spécificité du service public. La Commission a examiné plusieurs demandes de forage exploratoire pour la recherche, dans le Sud-Ouest de l'Ontario, de formations géologiques se prêtant à l'aménagement de réservoirs de stockage. Les *Directives environnementales* établies par la Commission pour la localisation, la construction et l'exploitation des gazoducs et oléoducs ont été appliquées *mutatis mutandis* aux demandes de permis de forage. La Commission a en outre autorisé la construction du premier tronçon d'un gazoduc de 48 pouces de diamètre qui traversera le Sud-Ouest de l'Ontario. Il s'agit là aussi d'une première, car les propriétaires terriens concernés ont bénéficié de l'aide financière accordée aux intervenants et ont pu ainsi défendre pleinement leurs intérêts lors de l'audience.



Ministry
of
Energy
de
l'Energie
Ministère

Queen's Park
Toronto, Ontario
M7A 2B7
416/965-4286
Télex 06217880

A son honneur Lincoln M. Alexander
Lieutenant-gouverneur de la
province de l'Ontario

J'ai l'honneur de présenter le rapport annuel de la
Commission de l'énergie de l'Ontario décrivant les
diverses activités de l'exercice 1989-90.

Veuillez agréer, votre honneur, l'assurance de ma très
haute considération.

Le ministre de l'Energie
J. Carter

TABLE DES MATIÈRES

MESSAGE DE LA PRÉSIDENTE 3

INTRODUCTION 5

STRUCTURE 11

AUDIENCES PUBLIQUES 12

RÉCAPITULATION DES ACTIVITÉS 14

Examen de la demande d'Ontario Hydro 16

Autres affaires renvoyées à la Commission 17

Demandes de révision des tarifs du gaz naturel 19

Demandes relatives à des installations 24

Demandes de permis de stockage et de permis de forage 26

LEXIQUE DE TERMES ET SIGLES 28

Les bureaux de la Commission de l'énergie de l'Ontario sont situés au

2300, rue Yonge

Bureau 2601

Toronto, Ontario

(416) 481-1967

On peut se procurer des exemplaires du présent rapport et d'autres publications de la Commission à
librairie du gouvernement de l'Ontario au 880, rue Bay, Toronto, tél. (416) 965-2054.

Les personnes habitant à l'extérieur de Toronto peuvent s'adresser au Service des publications,
ministère des Services gouvernementaux, 880, rue Bay, 5^e étage, Toronto (Ontario) M7A 1N8. Pour les
appels interurbains sans frais, composez le 1-800-668-9938.

ISSN 0317-4891

Photographies fournies par : Vincenzo Pietropaolo (président, membres et personnel de la Commission),
Peter O'Dell (personnel de la Commission) ; Ontario Hydro (centrales électriques) ;
The Consumers' Gas Company Ltd. et Union Gas Ltd (installations de gaz naturel)

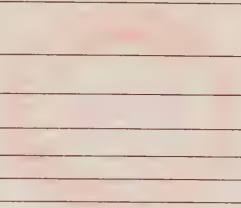


RAPPORT ANNUEL

COMMISSION DE L'ÉNERGIE DE L'ONTARIO

1 6 8 9 - 1 6 9 0

CADON
EB
-ASG



1 9 9 0 - 1 9 9 1

ONTARIO ENERGY BOARD

ANNUAL REPORT

CONTENTS

INTRODUCTION	3
STRUCTURE	10
THE PUBLIC HEARING PROCESS	12
REVIEW OF ACTIVITIES	14
Ontario Hydro Review	15
Other References	16
Natural Gas Rates Applications	17
Facilities Applications	21
Gas Storage and Drilling Permit Applications	23
GLOSSARY OF TERMS AND ACRONYMS	24

The Ontario Energy Board is located at
2300 Yonge Street
Suite 2601
Toronto, Ontario
(416) 481-1967

Copies of this and other Board publications may be purchased from the Ontario Government Bookstore, 880 Bay Street, Toronto. Telephone (416) 326-5300.

Out-of-town customers please contact the Ministry of Government Services, Publications Service Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8. Toll-free long distance: 1-800-668-9938

ISSN 0317-4891

Photographs of the Chairman and Board members courtesy of Vincenzo Pietropaulo, and of Board staff courtesy of Peter O'Dell, Assistant Board Secretary. Photographs of hydro installations courtesy of Ontario Hydro and of gas installations courtesy of the Consumers Gas Company Ltd., Union Gas Limited, and Centra Gas Ontario Inc.



Minister
ministre

Ministry
of
Energy

Ministère
de
l'Énergie

Queen's Park
Toronto, Ontario
M7A 2B7
416/327-2936
Fax 327-1216

Queen's Park
Toronto (Ontario)
M7A 2B7
416/327-2936
Télécopieur 327-1216

The Honourable Lincoln M. Alexander
Lieutenant Governor of the
Province of Ontario:

I hereby submit the annual report of the Ontario
Energy Board. It reviews the events and activities
of the fiscal year 1990-1991.

Respectfully submitted,

William A. Ferguson
Minister of Energy



INTRODUCTION

Ontario relies heavily on natural gas as an energy source and as a feedstock, primarily in the production of chemicals. Natural gas is the major fuel for all sectors of the economy except transportation, and it is the primary fuel used in heating space and water in the province. Indeed Ontario uses more natural gas than any other consuming province and accounts for approximately 42 percent of the total demand for Canadian natural gas. Natural gas provides approximately 31 percent of the energy consumed in the province, while electricity provides about 18 percent and its use is growing. Liquid fuels (oil and natural gas liquids), coal, and wood provide the balance of Ontario's energy consumption.

The Ontario Energy Board regulates the natural gas industry through the setting of rates, authorizing the construction of transmission lines, and approving of franchise agreements. The Board also advises the Minister of Energy on general matters relating to the natural gas industry, as well as matters relating to Ontario Hydro. In all its considerations, the Board endeavours to ensure that rates are fair, that supply is secured, and that the public interest is upheld.

The report that follows outlines the Board's mandate and its role and responsibilities in fulfilling that mandate. It provides a tabular listing of all the Board's activities over the past year, and discusses some of these activities briefly.

MANDATE

The Ontario Energy Board was formed in 1960 to provide an impartial formal mechanism for regulating specific aspects of Ontario's natural gas industry. In addition to its regulatory responsibilities, the Board, when requested in references from the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources, will advise on matters relating to energy, such as changes made by Ontario Hydro to its bulk power rates. In all its activities, the primary objective of the Ontario Energy Board is to ensure that the public interest is served and protected.

Most of the Board's responsibilities stem from legislation as set out primarily in the Ontario Energy Board Act. In addition, six other statutes give jurisdiction to the Board:

- the Municipal Franchises Act;
- the Petroleum Resources Act;
- the Public Utilities Act;
- the Assessment Act;
- the Toronto District Heating Corporation Act;
- the Intervenor Funding Project Act, 1988



Board Members on March 31, 1991, from left to right: V.W. Bielski, R.R. Perdue, C.W.W. Darling, S.J. Wychowanec, Chairman, C.A. Wolf Jr, P.W. Chapple, O.J. Cook, R.M.R. Higgin, J.C. Allan

The Intervenor Funding Project Act was proclaimed on April 1, 1989, by the Lieutenant Governor in Council. As a three-year pilot project, the act establishes a procedure to provide for advance funding to intervenors in proceedings before a number of boards, including the Ontario Energy Board. It sets out specific criteria which the funding panel, established under the act, must consider in deciding whether to award funding to an intervenor.

The Board's procedures are governed by the Statutory Powers Procedure Act and the Board's own draft Rules of Practice and Procedure.

ROLE AND RESPONSIBILITIES

SETTING RATES FOR NATURAL GAS

Each natural gas utility sells and transports gas in franchised areas of the province. Competition does not exist in the sale of energy: buyers may purchase gas directly from producers or from the distributor, or they may turn to other sources of energy. Since the transportation of gas involves an extensive network of pipelines and storage facilities, a monopoly arrangement is most efficient; it avoids duplication of facilities and the cost increases that would otherwise result.

In Ontario, rates for the sale of gas must be approved by the Board. Gas distributors are required by legislation to submit their proposed rates to the Board for review and approval. Rates for each utility are set following a public hearing, and a major rate hearing lasts approximately three to four weeks.

Rates vary among classes of customers: residential, commercial, and industrial. In setting rates, the Board's objective is to reflect the costs imposed on the system by the varying demands of different classes of customers. Residential demand for natural gas as a heating fuel, for example, changes according to the weather and the time of day. As a result, it costs more on a per unit basis to provide service to residential users than to industrial customers, which use relatively large amounts of gas at a more constant level.

In setting rates, the Board tries to strike a balance between the prices to be paid by customers and the rate of return which shareholders of the utilities are allowed to earn on their investment. Rates are to be just and reasonable for both customer and shareholder. In making its decisions, the Board considers past, present, and projected expenses, along with current and forecast economic conditions and trends and the earnings expectations of the utility operators.



Union Gas continues expansion of its major transmission facilities, constructing 60 kilometres of NPS 48 pipeline along the Milton to Dawn Township corridor

The Board may grant interim rate relief to either company or customers in cases where significant changes in a utility's costs or revenues have occurred or will occur. In such cases, an interim rate hearing may be held, which usually takes one or two days. Interim rates are subject to revision and are not final until the main rates application is completed and the Board has issued its Decision and Order.

As well as ensuring that utilities charge reasonable rates, the Board also must consider, as part of the rate hearings, the quality of service the utility provides.

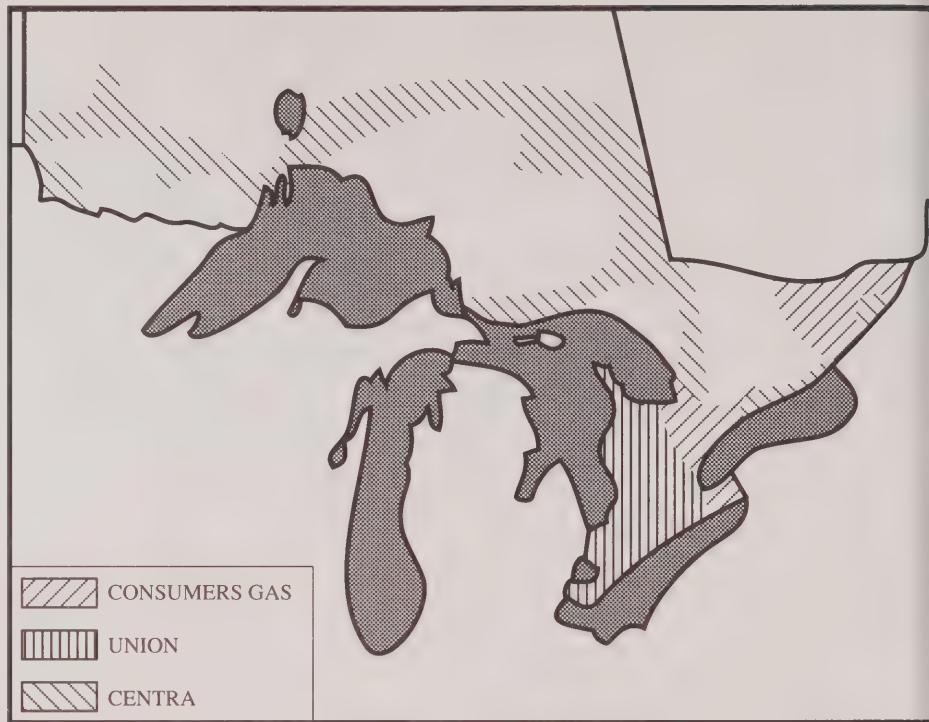
The Consumers' Gas Company Ltd. is Canada's largest natural gas distribution utility serving approximately 1,058,450 residential, commercial, and industrial customers in south, central, and eastern Ontario. Through affiliated companies not regulated by the Board, Consumers Gas also supplies western Quebec and northern New York State. At its year end on September 30, 1990, Consumers Gas' rate base was \$1.541 billion. During that year Consumers Gas' total throughput was 10.476 billion cubic metres, with total revenues of \$1.772 billion. On March 7, 1990, British Gas plc announced its intention to purchase all of the common shares of Consumers Gas. The Board began its review of the proposed transaction in a public hearing on June 26, 1990. In its Report to the Lieutenant Governor in Council dated October 15, 1990, the Board recommended that the transaction be approved.

Union Gas Limited is the second largest gas distributor in Ontario, serving customers in southwestern Ontario. It also operates a network of transmission pipeline, storage, and compression facilities for customers and other utilities in eastern Ontario and Quebec. As of March 31, 1991, Union's rate base was approximately \$1.3 billion. It served over 613,000 residential, commercial, and industrial customers, generating a total system throughput of 16.7 billion cubic metres for fiscal 1991, which includes gas transported for other utilities. Total volumes of gas delivered to Union's distribution customers (which includes both sales and transportation only customers) was 7.7 billion cubic metres. Total revenue for Union in fiscal 1991 was \$1.2 billion.

Centra Gas Ontario Inc. (formerly ICG Utilities (Ontario) Ltd) serves approximately 100 communities in northwestern, northern, and eastern Ontario. Its natural gas distribution system comprises approximately 6,142 kilometres of pipeline originating at more than 76 delivery points on the TransCanada PipeLines Limited (TCPL) transmission system. The Centra system is composed of a series of laterals running off the TCPL system as the latter crosses Ontario, starting at Kenora and extending to Lake Ontario and the St Lawrence River. As of December 31, 1990, Centra's average rate base was over \$451 million. Serving approximately 183,000 customers, Centra's system throughput totalled 3.428 billion cubic metres. Centra's total revenue in fiscal 1990 was some \$482 million. In April 1990, Westcoast Energy Inc. purchased ICG from Inter-City Gas Corporation. The name was changed to Centra Gas Ontario Inc. in January 1991.

Natural Resource Gas Limited (NRG) is a small utility serving 2,303 customers in the Aylmer area. As of September 30, 1990, NRG's average rate base was \$3.808 million and total gas sales were 12,059 million cubic metres. The company generated approximately \$3.348 million of revenue in its 1990 fiscal year.

Tecumseh Gas Storage Limited is a gas storage company operating in southwestern Ontario which is jointly owned by Imperial Oil Ltd and Consumers Gas. Consumers Gas is the sole operator of the company. In its fiscal 1991 year Tecumseh generated approximately \$19.7 million in revenue. Tecumseh's only customers are Union Gas and Consumers Gas.



REVIEWING ONTARIO HYDRO RATES

Ontario Hydro's bulk power rates (wholesale rates for municipalities and certain industrial customers) are set by Hydro's own board of directors. However, Ontario Hydro is required to submit any proposed change in its rates to the Minister of Energy who then refers the proposal to the Board along with full technical information and financial data. After a public hearing, which usually begins in late May or early June and runs for about four weeks, the Board submits a report with recommendations to the Minister of Energy on or before August 31 each year. The Board's role is an advisory one and its recommendations are not binding on Ontario Hydro.

Ontario Hydro is the province's largest crown corporation. As of December 31, 1990, Ontario Hydro had assets of \$39.37 billion. It served, at that date, more than 3.63 million customers directly and indirectly, over 85 percent being residential. Provincial sales of 130,875 GWh and export sales of 577 GWh produced revenue of \$6.5 billion in fiscal 1990.

REFERENCES AND GENERIC HEARINGS

The Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources may refer a matter to the Board for a public hearing and report. These references normally concern energy-related matters and generally attract widespread public interest. The Board's reports are advisory in nature.

In addition, proposed changes in ownership of utilities may be referred to the Board for a hearing and report. The leave of the Lieutenant Governor in Council is required when a utility wishes to sell its assets or amalgamate with another utility, and when any person wishes to acquire shares of a utility to the extent that more than 20 percent of any class of shares changes ownership. The Board may recommend exemption from a hearing or may hold a hearing and submit its report and recommendations to the Lieutenant Governor in Council.

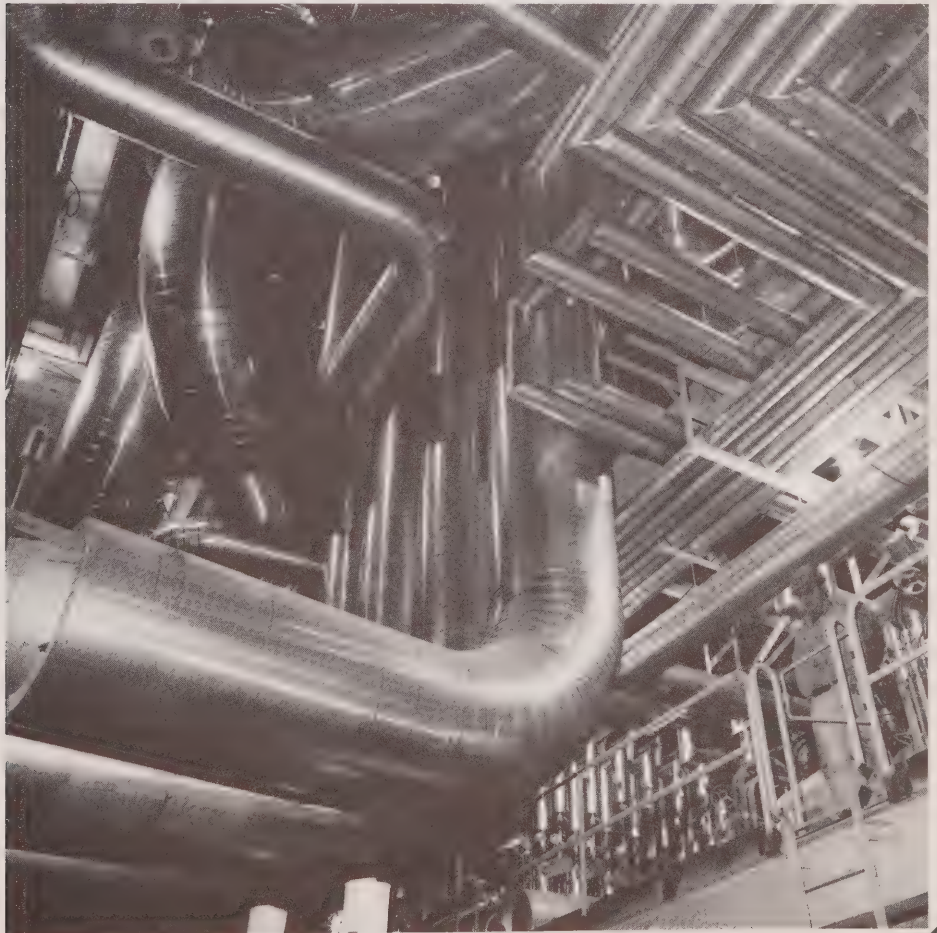
The Board may also hold generic hearings on its own initiative on matters under its jurisdiction. Such hearings are usually held in response to an emerging trend or an area of growing interest or concern, and deal with a subject in a broader context than issue-specific hearings.

APPROVAL OF FACILITIES

Utilities wishing to construct a transmission line for natural gas in Ontario must obtain Board approval. In addition, all construction proposals are reviewed by the Ontario Pipeline Coordination Committee (OPCC), an interministerial committee concerned with the environmental and safety aspects of pipeline construction. The OPCC is chaired by a staff member of the Board, and it includes representatives from the ministries of Agriculture and Food, Energy, Environment, Consumer and Commercial Relations, Natural Resources, Culture and Communications, Municipal Affairs, and Transportation. Other regional agencies, with which the natural gas utilities consult in the early stages of their planning, are also represented as required.

The OPCC tries to ensure that the construction of pipelines does not have any long-term negative effect on the environment and that the short-term impact during construction is minimized. With these objectives in mind, each proposal is reviewed, alternative routes or sites considered, and issues resolved before formal application for leave to construct is filed with the Board.

When a utility applies to the Board for approval, the Board assesses whether the construction is in the public interest, considering safety, economic feasibility, community benefits, security of supply, benefits for the utility, and environmental impact. The Ontario Energy Board's *Environmental Guidelines for Locating, Constructing, and Operating Hydrocarbon Pipelines in Ontario* sets out its requirements. The *Environmental Guidelines* were developed in concert with provincial ministries and agencies whose mandates are affected by pipeline construction. Finalized and distributed in January 1990, the *Environmental Guidelines* incorporate the latest standards and mitigation practices of each of the ministries. They also provide for greater public participation in the planning process for pipeline construction.



Turbine steam pipe unit 6 at Ontario Hydro's Bruce nuclear generating station

When a project is approved, the Board issues an order for leave to construct. The Board also grants the authority to expropriate land for transmission pipelines and related facilities and authorizes any pipeline crossings of highways, utility lines, and ditches.

APPROVAL OF FRANCHISE AGREEMENTS

Each municipality may grant to a gas utility the right to provide gas service and use road allowances in the municipality. A prerequisite to the municipal by-law granting the franchise is the Board's approval of the terms and conditions of the franchise agreement.

Many of the existing agreements which have been in place for thirty years or more are expiring. Negotiating a new agreement can be a lengthy and complex process. In 1985 the Municipal Franchise Committee was formed to develop a model franchise agreement which could be used as the basis for all new and renewed agreements. The model agreement came into effect in 1988 and sets out standard conditions for gas distribution, the use of road allowances, construction approvals, and procedures for restoring lands after construction.

CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

No person is allowed to construct any works to supply gas in a municipality without Board approval. The approval, in the form of a certificate, is not given unless public convenience and necessity appear to support approval.

NATURAL GAS STORAGE

Vital to the natural gas distribution system in Ontario is the capacity to store gas. Gas storage pools therefore represent a natural resource of economic significance to the province. The main storage sites are depleted gas pools in southwestern Ontario. Gas stored in these storage pools is used by transmitters and distributors to meet fluctuating demand and to draw on in case of emergency. Gas is normally injected into storage during the summer months when demand is low, to be withdrawn in high-consumption periods during the winter. This balancing of load makes it possible for the transmission system from western Canada to operate efficiently.

Gas may not be injected into any geological formation unless it is a designated gas storage area described in Regulation 700, Revised Regulations of Ontario, 1980, under the Ontario Energy Board Act. In reviewing applications for the use of such areas, the Board considers the geology of the pool, its suitability, the appropriate boundary of the area to be designated, the applicants' rights to use the storage capacity, the need for it, and the economic viability of developing the storage pool. The Board recommends to the Lieutenant Governor in Council gas storage areas to be designated, authorizes their use, and, in cases where the applicants and landowners have not reached agreement, determines the compensation payable to landowners under whose lands the storage pools are situated.

Applications for drilling permits for wells within a designated gas storage area must be referred to the Board for consideration by the Minister of Natural Resources, whose ministry issues the permits. If the applicant is the authorized operator of the gas storage area, the Board has discretion as to how to process the application before reporting to the Minister. If the applicant is not the authorized operator, the Board must proceed by way of a public hearing.

Applications to inject fluid and pressurize a geological formation also require a permit from the Ministry of Natural Resources. If the injection well is within 1.6 kilometres of a designated gas storage area, the Minister is required by the Petroleum Resources Act to seek a report from the Board.

The Board regulates the joining of the various interests within a spacing unit, field, or pool for the purpose of drilling or operating gas or oil wells, the designation of management, and the apportioning of the cost and benefits of such drilling or operation.

OTHER MATTERS

Natural gas utilities must conform to a uniform system of accounts as prescribed by the Board. No change in accounting methods may take place without the Board's approval. The Board is continuing its first significant review and upgrading of the regulation which prescribes the classification of accounting since it was made under the Ontario Energy Board Act in 1966.

The Board receives information regularly from natural gas utilities regarding financial operations and performance. If a utility is earning either too little or too much compared with its allowed rate of return, the Board's Energy Returns Officer and his or her staff may conduct a special investigation. The Board may, on its own motion, require a utility to appear before it to explain its earnings and, if necessary, review the rates.

The nature of public utilities changes along with the economic and social environment in which they operate. Accordingly, it is appropriate for the Board continually to review legislation relating to public utilities and, if necessary, to propose amendments.

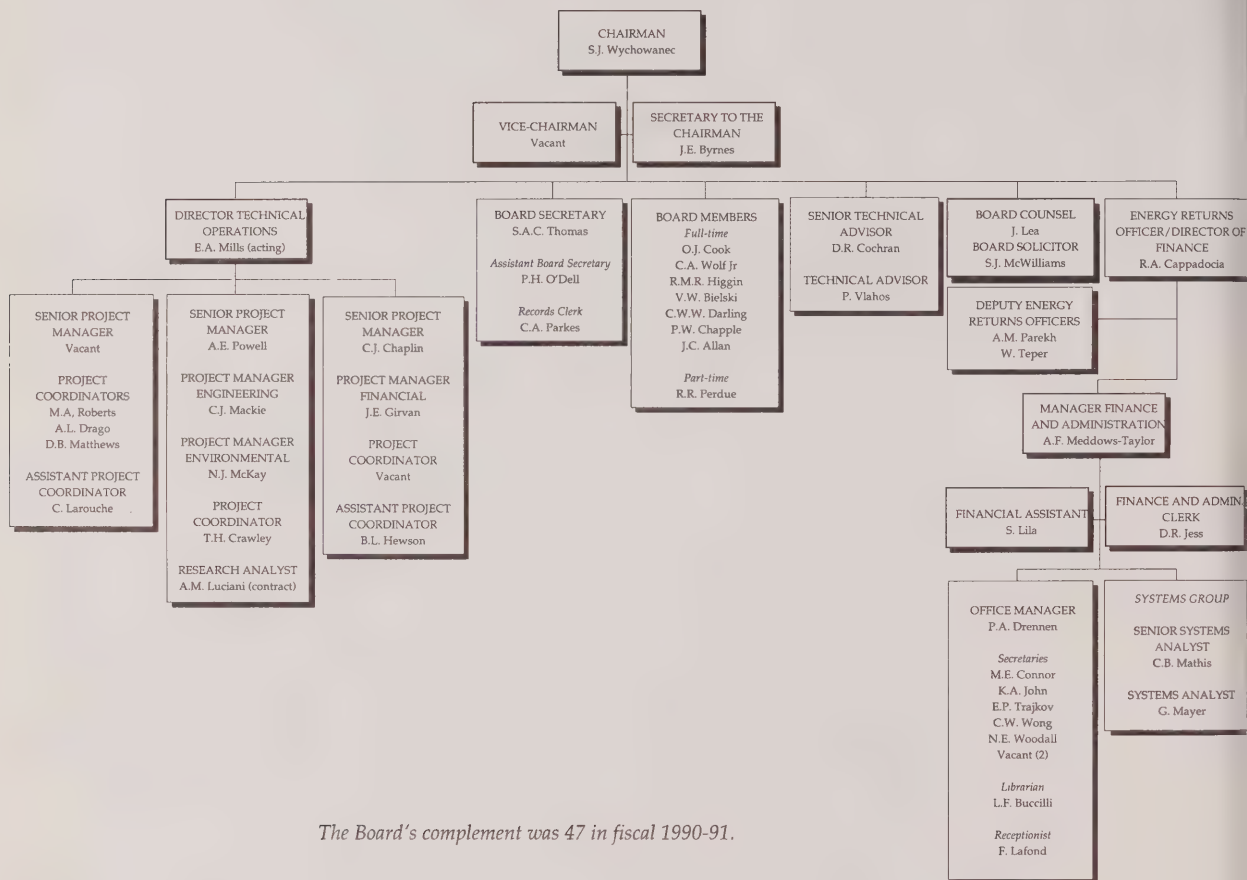


Ontario Hydro linesman at work

STRUCTURE

ORGANIZATIONAL STRUCTURE AS OF MARCH 31, 1991

ONTARIO ENERGY BOARD



The Board's complement was 47 in fiscal 1990-91.

FINANCIAL AND ADMINISTRATIVE STRUCTURE

The Ontario Energy Board is a Schedule 1 Regulatory Agency. This means it is funded out of the consolidated revenue fund and is subject to all the administrative policies established by the Government of Ontario through Management Board of Cabinet. The Board submits its budget to its responsible ministry, the Ministry of Energy, for consolidation with the ministry's estimates, in which form they are presented to Management Board for approval and subsequently to the Legislature. The details of the Board's financial data follows.

The Board let a contract with E.B.A. Associates Inc., for expert testimony at a Board hearing concerning the Board's review of Ontario Hydro's report on net income policy, for an amount in excess of \$25,000.00 using non-competitive acquisition procedures. This contract was entered into under an emergency situation, and it was not possible to comply with normal competitive acquisition procedures, given the problem of finding a qualified consultant and tight time constraints. Management Board was immediately advised of this non-compliance situation.



Administrative staff reviewing an account

The Ontario Energy Board Act authorizes the Board to recover its costs by charging an appropriate portion of these costs to the utilities involved in Board hearings and related activities. Following a hearing, the Board issues a cost order to the utility concerned. This represents payment towards costs incurred by the Board and also, when ordered, those incurred by the intervenors. The amount to be paid to the Board includes out-of-pocket and direct expenses attributable to a specific hearing, as well as a contribution towards the Board's fixed costs, including overhead and payroll.

In fiscal 1990-91, the Board operated with an approved budget of \$5.7 million. Of this amount, 80 percent will be recovered in due course by means of cost orders issued to utilities.

Program: Ontario Energy Board

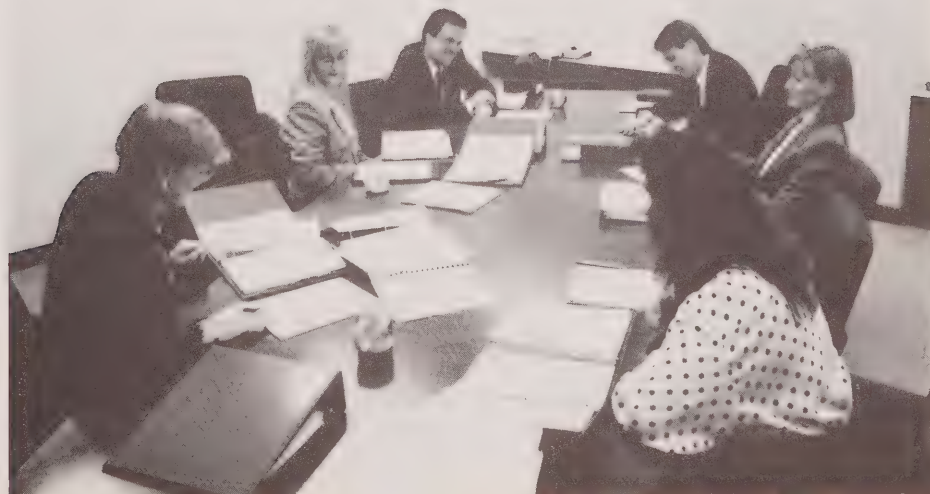
Vote/Item: 1404-1

1990-91 Estimates, by Standard Account

	\$
Salaries and wages	2,472,300
Employee benefits	475,900
Transportation and communications	309,300
Services	2,045,500
Supplies and equipment	401,100
Total for Ontario Energy Board Program	<u>5,704,100</u>

1990-91 Spending Analysis

	\$
1990/91 Estimates	5,704,100
<u>Less</u> 1990/91 expenditures	<u>4,935,711</u>
Total underspending	768,389
<u>Less</u> Management Board offsets	<u>144,700</u>
Adjusted underspending	<u>623,689</u>



Technical staff reviewing an applicant's filings

THE PUBLIC HEARING PROCESS

Public hearings provide an essential mechanism with which the Ontario Energy Board can carry out its mandate. Public hearings also provide a forum for groups or individuals, who may be affected by the Board's decisions, to express their concerns. Such public participation helps to ensure that the Board, in reaching a decision, will be informed and will consider a wide variety of views and interests. The hearing process includes eleven steps.

1 INITIATION

The hearing process begins:

- upon receipt of an application; or
- upon receipt of a reference from the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources; or
- upon notice from the Board that it will initiate proceedings to consider a matter under its jurisdiction.

2 NOTICE OF APPLICATION

Applicants are required to serve the Board's notice of the application on all affected parties and interested public groups. If the Board itself has initiated a hearing, it will serve the notice. For a major rate case, a natural gas utility usually will publish notices of its application in regional daily newspapers.

When an application affects people residing in certain government-designated areas, all notices also must be published in French in French-language newspapers. A notice must appear in a French weekly newspaper if no French daily newspaper is published in the area.

3 INTERVENTIONS

Interested groups or individuals wishing to participate in the hearing are referred to as intervenors. To ensure their eligibility to participate in the hearing, they must file an intervention which explains their reasons for wishing to take part.

Prior to 1989 participants could request costs for their participation at the conclusion of the hearing. On April 1, 1989, the Intervenor Funding Project Act went into effect. It established a procedure that allows intervenors to apply for advanced funding before the hearing begins. A funding panel appointed by the Board decides on the eligibility of applicants for intervenor funding and the amount of each award. Participants may, as before, continue to ask for costs at the conclusion of the hearing.

4 NOTICE OF HEARING

Once the Board has determined the scope and the nature of the hearing, it directs the applicant to serve notice of the time and place of the hearing on all parties who have intervened.

5 PRE-HEARING DOCUMENTATION

To allow sufficient time for all parties to review information pertaining to the application, the applicant must file evidence in support of its application two to three months before the hearing begins. Board staff and intervening parties may also seek additional information by way of written interrogatories. These interrogatories are answered by the utility before the hearing commences. Board staff and intervenors may also submit their own evidence to support a specific position in the hearing related to the application.

In the case of applications for the construction of pipelines, which are reviewed by the Ontario Pipeline Coordination Committee, the normal requirements of pre-filed evidence would include route selection and environmental impact studies.



*Jennifer Lea, counsel to Board staff,
preparing for a hearing*

6 PROCEDURAL ORDERS

The Board may issue procedural orders specific to the case. Such orders may set the date for a hearing, for example, or contain deadline dates for completing certain procedural matters such as the filing of supporting evidence, interrogatories, and answers thereto. Procedural orders may also set forth a list of the issues to be dealt with at the hearings.

7 FIRST DAY MEETING

Before the hearing of evidence commences, the Board panel may review procedural matters, technical issues, and the general approach to the hearing. This gives the parties involved an opportunity to become familiar with the application and to identify all the issues they wish to address in the hearing.

8 THE HEARING

The Board ensures that sufficient evidence is presented, tested, and put on the record, so that an informed decision can be made. The applicant usually testifies first, through written evidence and the presentation of witnesses. Intervenors and counsel to Board staff then question these witnesses, and may offer witnesses of their own. These witnesses may be cross-examined by the applicant or by the other intervenors. When all evidence has been received, each party may offer a summation in the form of written or oral argument as directed by the Board.

The pre-filed evidence, arguments, and transcripts of the hearing are a matter of public record and are available at the Board office in Toronto.

9 BOARD DECISIONS/REPORTS

Depending on whether the hearing was a result of a reference, or either an application or a notice from the Board, the Board summarizes its deliberations in a document referred to as a Report, or a Decision with Reasons. These documents discuss the issues and arguments raised in the hearing and contain the Board's recommendations or findings. Depending on the complexity of the case, the document will appear a few weeks or months after a hearing. Copies of the document are available from the Ontario Government Bookstore, 800 Bay Street, Toronto, upon payment of a modest prescribed fee. Persons involved in the hearing receive copies of the document from the Board.

In most cases referred to it by the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources, the Board's recommendations are not binding. The appropriate minister or the Lieutenant Governor in Council decides whether or not the recommendations should be implemented. In the case of references from the Minister of Natural Resources with respect to drilling permits, however, the recommendations are binding upon the minister.

10 BOARD ORDER

A Board Order is a legal document which directs the implementation of a Board Decision and is binding on the parties named.

11 REVIEW AND APPEAL

A Decision or Order of the Board may be appealed by:

- applying to the Board requesting that it rescind or vary its Order;
- petitioning the Lieutenant Governor in Council;
- appealing an Order to the Divisional Court upon a question of law or jurisdiction;
- applying to the Divisional Court for judicial review of a Board Decision.



Technical staff preparing for a hearing

REVIEW OF ACTIVITIES

Summary of Activities, April 1, 1990 — March 31, 1991

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION
<i>Natural Gas Rates Applications</i>			
EBRO	459	Ontario Housing Corporation	Rate dispute with Consumers Gas
EBRO	461	Algoma Steel	Special rate — Centra
EBRO	464	Consumers Gas	Fiscal year 1990 limited issues rate review
EBRO	465	Consumers Gas	Fiscal year 1991 rate review
EBRO	466	Tecumseh	Fiscal year 1991 rates
EBRO	467	Centra	Fiscal year 1991 rates
EBRO	468	NRG	Fiscal year 1991 rates
EBRO	470	Union	Fiscal year 1992 rates
EBRO	471	Canadian Pacific Forest Products	Special rate — Centra
<i>Reference from the Minister of Energy Regarding Ontario Hydro</i>			
HR	19	Minister of Energy	Hydro rates — Fiscal year 1991
<i>References from Lieutenant Governor in Council</i>			
EBRLG	35, 35-1, 35-3	Consumers Gas	Change in control of Consumers Gas (British Gas plc)
EBRLG	35-5	Consumers Gas	Change in control of Tecumseh Gas storage
<i>Pipeline Construction and Expropriations</i>			
EBLO	234	Union	Lobo to Beachville transmission expansion
EBLO	234 (1-65)	Union	Expropriations — Lobo/St Marys and Milton/Parkway
EBLO	235	Consumers Gas	Parkway Belt West extension
EBLO	235 (1)	Consumers Gas	Expropriation — McKay Estate
EBLO	236	Centra	Front of Leeds and Lansdowne
EBLO	237	Union	Kitchener/Waterloo west reinforcement
EBLO	237 (1-62)	Union	Expropriations — Kitchener/Waterloo West Line
EBLO	238	Consumers Gas	Mississauga southern link
<i>Pipeline Exemptions</i>			
PL	73	Union	Township of Sandwich south pipeline
PL	74	Union	St Thomas north pipeline
PL	75	Union	Enniskillen storage pool
PL	76	Union	Fergus transmission line
PL	77	Union	Cambridge extension
PL	79	Union	Nanticoke pipeline
<i>Franchise Approvals</i>			
EBA	497	Centra	Township of Cramahe
EBA	587	Union	Town of Thornbury
EBA	588	Union	Township of South Dumfries
EBA	589	Union	Town of Paris
EBA	590	Union	City of Cambridge
EBA	593	Union	Town of Clinton
EBA	594	Union	Township of McKillop
EBA	596	Union	Town of Kingsville
EBA	597	Centra	Township of Morley
EBA	598	Union	County of Wellington
EBA	599	Union	Township of Brantford

CASE TYPE	FILE NUMBER	APPLICANT	CASE DESCRIPTION
<i>Franchise Approvals (continued)</i>			
EBA	600	Union	Township of Lobo
EBA	601	Union	Township of Tyendinaga
EBA	602	Centra	Township of Springer
EBA	603	Union	Town of Leamington
EBA	604	Union	Town of Dundas
EBA	605	Union	Regional Municipality of Waterloo
EBA	606-1	Centra	Town of Fort Frances
<i>Other Ontario Energy Board Orders</i>			
EBO	171	Consumers Gas	Acquisition of shares of Tecumseh from Imperial Oil
<i>Certificates of Public Convenience & Necessity</i>			
EBC	196	Centra	Front of Leeds and Lansdowne
EBC	197	Centra	Township of Morley
<i>Reports to the Minister of Natural Resources on Permits to Drill Wells</i>			
EBRM	95	Union	Enniskillen storage pool
EBRM	98	Union	Dawn and Waubuna storage areas
EBRM	99	Union	Dawn 7-25-II well
EBRM	100	Centra	Oil Springs east storage pool
<i>Uniform Accounting Orders</i>			
UA	86	Union	Deferral account – bundled T-Service receipt contract rate R1



An operator at the control panel of unit 1 of Ontario Hydro's Darlington nuclear generating station

ONTARIO HYDRO REVIEW

BULK POWER RATES PROPOSAL HR 19

On March 27, 1990, the Minister of Energy referred to the Board Ontario Hydro's proposal to increase its bulk power rates by 7.8 percent, effective January 1, 1991. This 7.8 percent change would be in addition to a 7 percent increase in electricity prices due to the implementation of the federal goods and services tax (GST), introduced on January 1, 1991. The proposal of 7.8 percent was based on a net revenue requirement of \$7,486 million, which represented an increase of \$738 million over 1990 revenue.

In May 1990, Ontario Hydro identified an additional \$189 million in costs for fiscal 1991. These costs would require either the use of its reserve for contingencies and rate stabilization fund to keep the rate increase at the 7.8 percent level or a 10.4 percent rate increase, if its statutory debt retirement appropriation was to be met.

The Board Report, issued on August 31, 1990, contained fifty recommendations. It included a recommended rate increase of 7.8 percent and urged Ontario Hydro to cut \$150 million from its operational budget. The Board further recommended that Hydro reduce its costs by an additional \$40 million in order not to exceed the 7.8 percent increase while still meeting its statutory debt retirement obligations. The Board indicated that a higher rate increase would be undesirable because of financial pressures on Hydro and the implementation of the GST in 1991.

Among the other recommendations were suggestions that Hydro's acid gas emission limit be reviewed, as well as Hydro's decision to "demothball" the R.L. Hearn generating station in Toronto. The Board suggested that nuclear power production should be recognized as an essential service, since it satisfies over 50 percent of Ontario's electricity needs and is vulnerable to industrial strike action from the operators and supervisors licensed by the Atomic Energy Control Board (AECB). The Board also believed that the date at which the Darlington nuclear station would be in service would be delayed again. Other recommendations were that the pension provisions of the Power Corporation Act should be in keeping with the proposed Pension Benefits Act, and that Hydro's average compensation levels should more closely resemble those of comparable employers. The Board recommended that Hydro officially adopt the minister's long-term target for non-utility generation of electricity, and that Hydro hold a workshop on its avoided cost of generation so that industry may make more fully informed submissions to the demand/supply plan review before the Environmental Assessment Board.

In its proposal Ontario Hydro also wished to revise its net income policy. The Board deferred examination of this issue until the fall to examine fully all the implications. The hearing was held on a number of days intermittently between September 18 and November 2, 1990. The Board recommended in its final Report dated January 31, 1991, that Hydro establish its net income policy on an interest coverage approach for fiscal 1992, and that it discuss the possibility of a return on equity approach with the Minister of Energy as an appropriate policy for the remainder of the 1990s.

.....

OTHER REFERENCES

ACQUISITION OF THE CONSUMERS' GAS COMPANY LTD. *EBRLG 35, 35-1, 35-3*

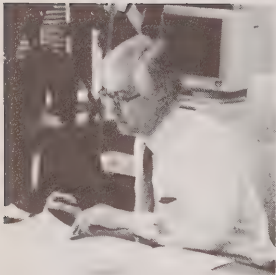
British Gas plc applied to the Board on March 16, 1990, in accordance with Section 26 of the Ontario Energy Board Act, for leave of the Lieutenant Governor in Council to offer to purchase the common shares of Consumers Gas. The offer for Consumers Gas' common shares would be made by a wholly owned Canadian subsidiary of British Gas pursuant to an agreement signed between British Gas and GW Utilities Limited (the corporate parent of Consumers Gas) on March 7, 1989.

On April 20, 1990, the Lieutenant Governor in Council issued an Order in Council requiring the Board, in accordance with Section 36 of the Act, to hold a hearing and report on certain matters related to the proposed offer.

The application and the reference were combined by the Board and the hearing commenced on June 26, 1990. The proceedings were completed with final reply argument being received on August 7, 1990. The Report of the Board was issued on October 15, 1990.

Based on its findings and conclusions, the Board reported that, on balance, the proposed transaction was not contrary to the public interest provided British Gas and its affiliates meet certain conditions prior to the formal granting of approval and agree to execute undertakings recommended by the Board. The Board recommended the following conditions:

- The requisite approval pursuant to the Investment Canada Act shall have been obtained and provided to the Lieutenant Governor in Council.
- The recommended Undertakings shall be given formally to the Lieutenant Governor in Council to become effective on the closing date of the British Gas/GW agreement.
- British Gas and its affiliates shall have submitted a detailed plan, satisfactory to the Lieutenant Governor in Council, to reinstate the public float as described in the Undertakings.
- British Gas and its affiliates shall have submitted a detailed plan, satisfactory to the Lieutenant Governor in Council, to organize Consumers Gas' treasury operations within Consumers Gas.



O.J. Cook, senior Board member, reviewing the evidence in preparation for a hearing

- British Gas and its affiliates shall satisfy the Lieutenant Governor in Council that the immediate parent of Consumers Gas is incorporated and headquartered in Ontario.

The purchase of Consumers Gas was completed on December 14, 1990.

.....

NATURAL GAS RATES APPLICATIONS

CONSUMERS GAS

Main Rates Review — Fiscal 1990 EBRO 464

The Board Energy Returns Officer audited Consumers Gas in 1989 and, based on his findings, the Board decided to review Consumers Gas' 1990 rates in a limited-issues hearing. Consumers Gas' evidence indicated a projected revenue deficiency of \$10.3 million based on a request for a 14 percent rate of return on common equity and a 35 percent equity ratio.

The hearing commenced on April 19, 1990, and was completed on May 2, 1990. Matters relating to rate of return on common equity for Consumers Gas' 1990 and 1991 fiscal years were heard concurrently.

In its Decision dated July 19, 1990, and Addendum dated August 2, 1990, the Board found a revenue sufficiency of \$6.0 million. The Board found a rate base of \$ 1.539 billion, and a return on equity of 13.25 percent on a 35 percent common equity ratio.

Summary of Financial Data

Fiscal 1990

	Requested	Allowed
	\$ million	
Rate base	1,579.1	1,539.4
Utility income	190.7	190.7
Gross revenue deficiency/(sufficiency)	10.3	(6.0)
	Percentage	
Indicated rate of return	12.08	12.39
Required rate of return	12.45	12.17
Common equity ratio	35.00	35.00
Rate of return on common equity	14.00	13.25

Main Rates Application — Fiscal 1991 EBRO 465

On December 1, 1989, Consumers Gas applied to the Board for an increase in its rates for its 1991 fiscal year based on a projected revenue deficiency of \$50.8 million. Prior to the commencement of the hearing, Consumers Gas updated its evidence indicating a projected deficiency of \$35.1 million based on a request for a 14 percent return on common equity and a 35 percent equity ratio. The update also reflected the new cost of gas arising out of the Amending Agreement between Consumers Gas and Western Gas Marketing Limited dated September 5, 1990. With respect to gas supply costs, Consumers Gas was seeking approval of a price of \$2.02 per gigajoule for the contract year beginning November 1, 1990. Before the hearing concluded, Consumers Gas indicated that its deficiency would increase by a further \$30.1 million based on the TransCanada PipeLines Limited (TCPL) interim toll increase of January 1, 1991.

The hearing of evidence began on November 20, 1990, and concluded on January 8, 1991, lasting a total of twenty-four hearing days.

In its Decision with Reasons dated March 1, 1991, the Board found a revenue deficiency of \$27.8 million (excluding the impact of the TCPL toll increase) and directed Consumers Gas to increase its rates effective October 1, 1990, to recover the deficiency. With respect to the TCPL interim toll increase, the Board accepted the company's evidence and directed Consumers Gas to increase its rates as of April 1, 1991, to recover the annualized impact of the increase of \$30.1 million. The Board also approved the gas cost consequences of the Amending Agreement. In addition the Board directed Consumers Gas to use the 1991 purchased gas variation account (PGVA) to record

variances in prices of gas acquired by Consumers Gas between the effective date of the TCPL rate increase and April 1, 1991.

In the two most recent Consumers Gas decisions the Board had expressed concern about the company's labour productivity and the significant increases in its staff since 1987. The Board directed Consumers Gas to bring evidence to its next rate hearing of an effective program to implement, measure, and reward improvements in productivity.

Summary of Financial Data Fiscal 1991

	Requested	Allowed
\$ million		
Rate base	1,709.9	1,665.2
Utility income	193.3	186.1
Gross revenue deficiency	35.1	27.8
Percentage		
Indicated rate of return	11.32	11.18
Required rate of return	2.46	12.12
Common equity ratio	35.00	35.00
Rate of return on common equity	14.00	13.125

ICG (now CENTRA)

Main Rates Application — Fiscal 1991 EBRO 467

ICG applied to the Board on August 3, 1990, for an increase in rates for its 1991 fiscal year based on a projected revenue deficiency of \$2.7 million. The projected revenue deficiency was later amended to \$10.8 million largely to reflect an interim increase in TCPL's tolls and a change in the company's request for a return on common equity. The revised revenue deficiency was based on a request for a 15 percent rate of return on common equity and a 36 percent equity ratio.

On November 5, 1990, the hearing of Phase I (revenue requirement) evidence began. Under ICG's application, the Fort Frances customers would be subject to a rate increase over and above the system-wide proposed increases. The Town of Fort Frances brought a motion before the Board on November 13, 1990, requesting that part of the hearing be held in the town. The Board decided that the customers in the Fort Frances area ought to be given an opportunity to attend the hearing, not only to be heard by the Board, but also to hear the evidence and cross-examination presented to the Board that specifically dealt with the Fort Frances increase. Consequently the Board began the hearing of the Phase II (cost allocation and rate design) evidence in Fort Frances on November 27, 1990. The Board also granted funding to the town under the Intervenor Funding Project Act.



The Town of Fort Frances welcomes the Board



Compressor lifted into place at Centra's Oil Springs East storage facility

On December 3, 1990, the Board began hearing evidence related to the 1990 Gas Pricing Agreement signed by ICG and Western Gas Marketing Limited. ICG had requested that the Board approve the gas cost consequences of the 1990 Gas Pricing Agreement for the period from November 1, 1990, to October 31, 1993.

On January 21, 1991, the Board began hearing the remaining Phase II evidence. ICG applied for, among other things, a new cogeneration rate and rates intended to promote the use of certain energy efficient technologies.

The Board's Decision had not been issued by the close of the fiscal year.

NRG

Main Rates Application — Fiscal 1991 EBRO 468

NRG applied to the Board on June 15, 1990, for a rate increase for its 1991 fiscal year beginning October 1, 1990. On October 1, 1990, the Board declared NRG's then existing rates to be interim for a period not to exceed one year. The company projected a revenue deficiency of \$472,990 based on a requested return of 15.04 percent on a utility rate base of \$4,324,855.

The hearing was held on October 17 to 19, was adjourned, and reconvened for one day on December 10, 1990. In its Decision with Reasons, dated February 28, 1991, the Board found a revenue deficiency of \$158,178 based on a total rate base of \$4,245,172 and a rate of return on that rate base of 13.04 percent. The Board found a 14 percent rate of return on common equity on a 32.1 percent common equity ratio. The effective date for the new rates was October 1, 1990, and the implementation date was set by the Board at April 1, 1991. The Board directed NRG to recover the deficiency for the period October to March 1991 through a "one-time" charge to be added to customer bills in two instalments.

ONTARIO HOUSING CORPORATION

Rate Adjustment Application EBRO 459

On February 14, 1989, the Ontario Housing Corporation (OHC) applied to the Board for an order fixing the amount of the discount with respect to the competitive market rate adjustment (CMRA) and volume related automatic discount (VRAD) to be applied by Consumers Gas for the combined volumes of gas delivered to 60 OHC locations during the period November 1, 1986, to February 24, 1988. The Board ordered that the hearing of the OHC application be concurrent with the

hearing of the Consumers Gas EBRO 465 application. The portion of the joint hearing devoted to the OHC application took place on December 12, 13, and 18, 1990, and January 8, 1991.

The Board issued its Decision with Reasons on March 21, 1991. It found that OHC was not eligible to receive a higher CMRA/VRAD discount by combining the volumes delivered to the 60 locations under its contract, and disallowed OHC's claim that it was due a rebate of \$879,203. The Board, however, ordered Consumers Gas to refund \$35,000 to OHC, at the expense of its shareholders, for classifying Regent Park at too high a rate.

TECUMSEH

Main Rates Application — Fiscal 1991 EBRO 466

On February 1, 1990, Tecumseh applied to the Board for a rate increase for its 1991 fiscal year, based on a projected deficiency of \$2.009 million. This projected deficiency was later amended to \$0.592 million reflecting Tecumseh's revised fiscal 1990/91 forecast, based on actual results for seven months and forecast data. The deficiency was based on a request for 13.50 percent rate of return on common equity and a 36.38 percent common equity ratio.

As part of its pre-filed evidence, Tecumseh submitted a geological and reservoir engineering study that examined the issue of unaccounted-for base pressure gas. The study concluded that from 1964 to November 1990, 6.816 Bcf of base pressure gas had either migrated or been lost. As a result, Tecumseh proposed to reduce its base pressure gas account in rate base by \$6,969,159 in total over the next ten years for recovery in rates. Rate base for fiscal 1991 was forecast at \$91 million.

The hearing of evidence began on March 5, 1991, and lasted five days. The Decision of the Board is still pending at the close of the fiscal year.

UNION

Main Rates Application — Fiscal 1992 EBRO 470

Union Gas Limited applied to the Board on August 29, 1990, for a rate increase for its 1992 fiscal year commencing April 1, 1991. The original submission was amended in December 1990 to reflect higher TCPL tolls and a preferred share issue, planned for the test year, of \$75 million. Under this amended final submission, Union's projected revenue deficiency was \$55.729 million, based on a rate base of \$1.505 billion, a 14.75 percent rate of return on common equity, and a 29 percent common equity ratio. Approval of this deficiency by the Board would result in a rate increase for residential customers of about 4 percent.

The hearing began on January 7, 1991, and lasted for twenty-two days. The portion of the hearing on 1992 revenue requirements included a review of Union's cost of capital and gas supply contracts. The hearing also reviewed matters of cost allocation and rate design. In its Decision with Reasons dated April 2, 1991, the Board found a rate base of \$1.484 billion, a return on common equity of 13.5 percent, and a total revenue deficiency of \$40.471 million.

Summary of Financial Data

Fiscal 1992

	Requested	Allowed
\$ million		
Rate base	1,505.2	1,484.7
Utility income	152.6	152.7
Gross revenue deficiency	55.7	40.4
Percentage		
Indicated rate of return	10.14	10.28
Required rate of return	12.23	11.82
Common equity ratio	29.00	29.00
Return on common equity	14.75	13.50

.....

FACILITIES APPLICATIONS

CONSUMERS GAS

Town of Deep River EBLO 231

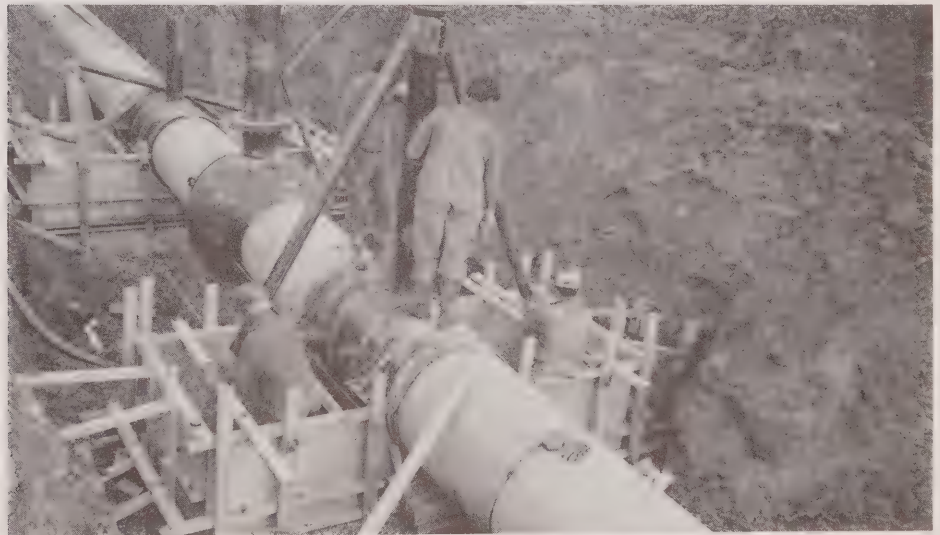
On October 11, 1989, Consumers Gas applied to the Board for authorization to construct an NPS 4 transmission line to serve the Town of Deep River. The Board had considered, and rejected, a similar application in 1986.

The hearing was held in Toronto on April 26, 27, and May 1, 1990. The major issue in the hearing was the economic feasibility of the project. The Board issued an Interim Decision on June 18, 1990, allowing the project to proceed provided Consumers Gas negotiated a contribution in aid of construction of \$400,000 to raise the benefit-to-cost ratio from 0.38 to 0.70. The Board allowed Consumers Gas until December 31, 1990, to provide evidence that such a financial contribution had been negotiated.

By letter dated December 17, 1990, Consumers Gas requested an extension of the deadline until June 30, 1991. The hearing was reconvened on January 17, 1991, at which time the Board heard evidence that Consumers Gas and the Town of Deep River had begun to negotiate a financial contribution. The Board granted the request for an extension of the deadline to June 30, 1991.

Parkway Belt West EBLO 235

On September 28, 1989, Consumers Gas applied to the Board for leave to construct 13 kilometres of NPS 36 pipeline as an extension of its Parkway Belt system from a point west of Albion Road in Mississauga to its Keele Street station in Toronto. The hearing was held on March 20, 1990. This section of pipeline was approved by the Board in its Decision dated May 4, 1990, and construction was completed in the summer of 1990.



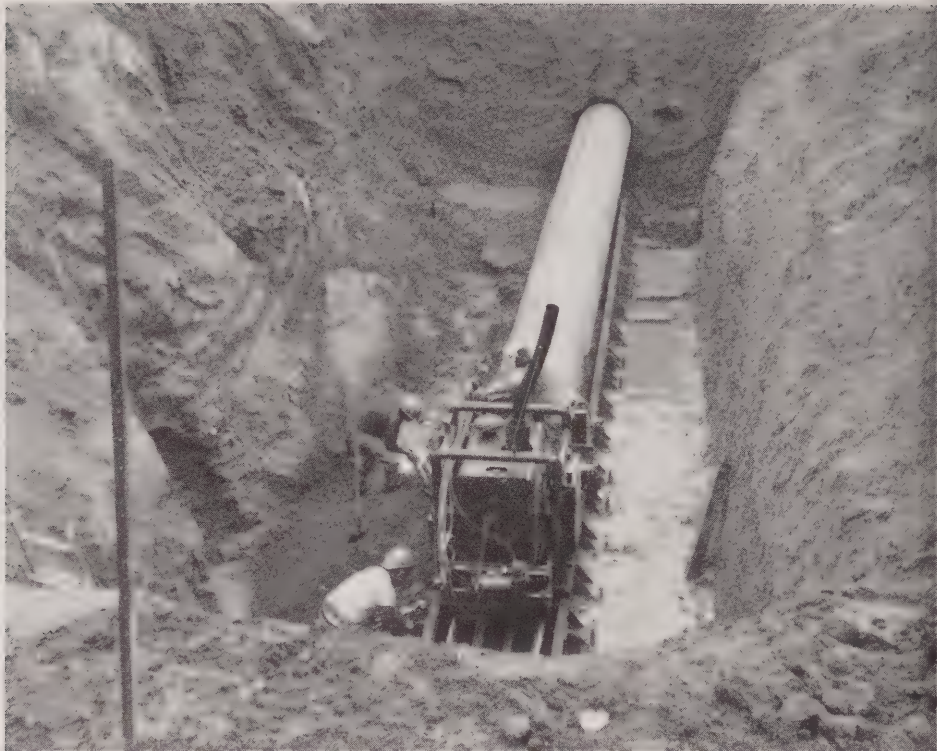
Consumers Gas constructing forms for concrete valve supports in its extension of its Parkway Belt West pipeline

ICG (now CENTRA)

Front of Leeds and Lansdowne EBLO 236

On March 5, 1990, ICG applied for a certificate of public convenience and necessity to serve Lansdowne in the Township of the Front of Leeds and Lansdowne and for leave to construct an NPS 4 transmission line from the TCPL transmission line approximately 6 kilometres to Lansdowne.

The hearing took place on September 26 and 27 and October 3, 1990. Consumers Gas intervened and opposed the application. Although both Consumers Gas and ICG held valid franchise agreements to serve the township, only Consumers Gas held the necessary certificate of public convenience and necessity. The major issue was that of economic feasibility, which was based on the assumption that the Lansdowne Distribution Centre, a warehouse and truck terminal,



Consumers Gas bores under Keele Street as part of its Parkway Belt West pipeline extension

would be constructed by 1992. Without the distribution centre the profitability index of the project, as computed by Centra, dropped to 0.57.

The Board did not approve the application. In its Decision with Reasons, dated December 14, 1990, it stated that it will not approve a project heavily dependent on one facility whose future is not assured. The Board concluded that the proposed system expansion by ICG into Lansdowne is not within the public interest. The Board also directed that four customers being served improperly by ICG in the township be transferred to Consumers Gas.

UNION

Dawn—Trafalgar Pipeline Expansion EBLO 234

Phase I Kirkwall to Hamilton

On July 24, 1989, Union applied for leave to construct three sections of NPS 48 pipeline along the Dawn-Trafalgar transmission system, which runs from Lambton County to the Regional Municipality of Halton. The first section was 48.5 kilometres in length from the Lobo compressor station to the Beachville transmission station. The second section was 10.3 kilometres from the Kirkwall valve site to the Hamilton valve site. The third was 11.0 kilometres from Milton to the Parkway compressor station. The hearing of this case was in two phases. Phase I, the Kirkwall-to-Hamilton section, was approved by the Board on March 12, 1990, and it was constructed in the summer of 1990.

Phase II Lobo to Beachville and Milton to Parkway

The hearing for Phase II of the proposed expansion involved the participation of the Middlesex-Oxford Landowners Committee and Association. This group had specific concerns with the Lobo-to-Beachville section of the pipeline and about the routing of future Union pipelines along the Dawn-Trafalgar corridor. Also at issue was whether the construction of all of the 48.5 kilometres of the Lobo-to-Beachville section of pipeline was needed.

The Board in its Decision dated August 31, 1990, concluded that Union had only demonstrated the need to construct the section of pipeline from Lobo to St Marys (approximately 30 kilometres), in

addition to the Milton-to-Parkway section. The Board stated in its Decision that it would reopen Phase II to hear additional evidence by Union on the need for the St Marys-to-Beachville section. The Board also directed that independent inspectors be hired by a committee composed of representatives of the landowner group and Union and a staff member of the Board. This committee hired an independent firm to inspect construction of the Lobo-to-Beachville section in the summer of 1991. Following a reopening of the hearing on the St Marys-to-Beachville section the Board approved the pipeline in its Decision dated April 16, 1991.

Kitchener/Waterloo Pipeline EBLO 237

On September 13, 1990, Union applied to the Board for leave to construct 33.4 kilometres of NPS 16 pipeline from the Owen Sound valve site north to its St Jacob's compressor station in order to increase the security of supply to the cities of Kitchener and Waterloo. The hearing was held on November 27, 1990. The Board issued its Decision on February 22, 1991, approving this section of pipeline for construction in the summer of 1991.

.....

GAS STORAGE AND DRILLING PERMIT APPLICATIONS

UNION

Enniskillen 28 Pool EBRM 95-1

A reference was received from the Minister of Natural Resources dated June 25, 1990, requiring the Board to report on two drilling permits sought by Union in the Enniskillen 28 Pool located in a designated gas storage area. A public hearing was held on February 19 and 20, 1991.

The Board in its Report dated April 15, 1991, recommended approval of the permit applications subject to environmental conditions intended to mitigate the impact of such drilling operations. The Board also recommended that Union be required to construct a temporary access road to the two proposed well sites.

Observation Wells EBRM 98

The Minister of Natural Resources, on December 14, 1989, referred three applications for A1 carbonate observation wells in the Dawn and Waubuno designated storage areas to the Board. Letters of consent signed by the affected property owners were filed by Union for these wells, and the Board met with officials of Union on July 31, 1990, to review the applications.

The Board issued its Report on August 16, 1990, in which it recommended approval.

Brine Disposal Well EBRM 99

Union applied to the Minister of Natural Resources on March 3, 1990, for a permit to drill a brine disposal well on its property at the Dawn operations centre in Lambton County. The application was referred by the minister to the Board on April 27, 1990. Union did not provide the Board with any prefiled material until February 26, 1991. The application is awaiting the outcome of discussions between Union and staff of the petroleum resources section of the Ministry of Natural Resources, which will determine which fluids may be disposed of into the Detroit River formation using the well.

ICG (now CENTRA)

Oil Springs East Pool EBRM 100

ICG applied to the Minister of Natural Resources on September 4, 1990, for a permit to drill an A1 carbonate observation well in the Oil Springs East Pool. As required by Section 23 of the Ontario Energy Board Act, the minister referred the application to the Board for consideration. The application was made pursuant to a condition in the Board's Decision with Reasons (EBO 167/EBLO 233) dated February 8, 1990, authorizing ICG to inject gas into, store gas in, and remove gas from the pool.

The Board issued its Report on January 18, 1991, recommending approval of the permit without a hearing, subject to environmental conditions intended to mitigate the impact of drilling the well and moving heavy equipment to the well site.

GLOSSARY OF TERMS AND ACRONYMS

Argument The final step in a hearing, during which participants summarize their positions on various matters of concern based on the evidence adduced.

Bcf One billion cubic feet, a measure of gas equivalent to 28.328 million cubic metres.

Board Order A legal document directing the implementation of a Board Decision. An Order is binding on the indicated parties.

Board Recommendation Usually contained in a Board report to a minister or to the Lieutenant Governor in Council, on Ontario Hydro or some other energy-related matter. Board recommendations are not binding except in matters set out under Section 23 of the Ontario Energy Board Act.

Bulk Power Rates Wholesale electricity rates to municipalities and certain industrial customers of Ontario Hydro having an average annual power demand of 5,000 kilowatts or more.

Bypass The total avoidance of the local distribution company's system for the transportation of gas.

Designated Gas Storage Area A land area containing geological formations into which the Board may authorize a person to inject, store, and remove gas. Injection of gas for storage into any geological formation outside a designated storage area is prohibited under Section 20 of the Ontario Energy Board Act.

Direct Sales Purchases of natural gas supply negotiated between producers and end-users at prices excluding transportation; pipeline transportation arrangements must be negotiated separately with TCPL and the local distribution utility.

Gigajoule (GJ) A measure of energy content in fuel. A typical residential consumer of gas might use about 130 gigajoules per year for household heating (one GJ of thermal energy equals approximately 0.95 million cubic feet of natural gas).

GWh Gigawatt hour

Interrogatories Written requests for the supply of additional information, or clarification of information already received.

Intervention Notice of intent to participate in hearings, stating the interest in the proceeding. The person or group is called an intervenor.

LDC Local distribution company

Non-Utility Generation (NUG) Generation of electricity by a privately owned company.

NPS Nominal pipe size; for example, NPS 24 refers to a pipe with an approximate exterior diameter of 610 mm or 24 inches.

Ontario Pipeline Coordination Committee (OPCC) An interministerial committee, chaired by a member of the OEB staff, and including designates from those ministries of the Ontario government which collectively have a responsibility to ensure that pipeline construction and operation have minimum undesirable impact on the environment. The environment, perceived in a broad sense, covers agriculture, parklands, forests, wildlife, water resources, social and cultural resources, public safety, and landowner rights.

Rate Base The amount that a utility has invested in assets that are used or useful in providing service, minus accumulated depreciation, plus an allowance for working capital and any other items which the Board may determine. Rate base may also be net of accumulated deferred income taxes.

Rate of Return on Common Equity Utility income, after tax, expressed as a percentage of the amount of common equity approved for inclusion in the utility's capital structure.

Rate of Return on Rate Base Utility income, after tax, that a utility is allowed to earn expressed as a percentage of the rate base. Note that this return is not guaranteed to the utility. Rather, this is the return that the company has a reasonable opportunity to earn given forecast conditions.

Revenue Requirement The allowed expenses of the utility are added to the allowed return on rate base to obtain the amount of revenue the utility must recover through rates to cover its costs of providing service.

Spacing Unit A prescribed area (generally 50 acres) established by regulation for the purpose of drilling a well for the production of oil and gas.

TCPL TransCanada PipeLines Limited

Test Year A prospective period of twelve consecutive months (usually the company's next full fiscal year) for which projections of revenues, costs, expenses, and rate base are examined by the Board in order to set rates which will allow the utility the opportunity to earn a reasonable rate of return.

Throughput Gas sales, direct purchase and transportation volumes, and, where applicable, storage volumes.

Recommandation de la Commission : Recommandation faisant généralement partie d'un rapport de la Commission présentée à un ministre ou au lieutenant-gouverneur en conseil et portant sur l'Ontario Hydro ou une autre question liée au domaine énergétique. Les parties concernées ne sont pas obligées de se conformer à ces recommandations, sauf dans les circonstances énoncées à l'article 23 de la Loi sur la Commission de l'énergie de l'Ontario.

Rendement des actions ordinaires : Revenu après impôt de l'entreprise de services publics, exprimé en pourcentage du montant des actions ordinaires, qu'elle est autorisée à inclure dans la structure de son capital.

Secteur désigné de stockage de gaz : Territoire comportant des formations géologiques dans lesquelles une personne peut, sous réserve de l'autorisation de la Commission, injecter et stocker du gaz, pour pouvoir ensuite l'en retirer. En vertu de l'article 20 de la Loi sur la Commission de l'énergie de l'Ontario, il est interdit d'injecter du gaz dans une formation géologique ne faisant pas partie d'un secteur de stockage désigné.

Taux de rendement sur l'assiette des tarifs : Revenu après impôt, exprimé en pourcentage de l'assiette des tarifs, que l'entreprise de services publics est autorisée à gagner. Ce rendement n'est pas garanti mais correspond au rendement auquel l'entreprise peut raisonnablement s'attendre compte tenu des conditions prévues.

Tarifs de vente d'électricité en gros : Tarifs de vente d'électricité en gros imposés par Ontario Hydro aux municipalités et à certains clients industriels qui consomment en moyenne 5 000 kilowatts et plus par année.

TCPL : TransCanada Pipelines Limited.

Unité d'espacement : Superficie prescrite (en général 50 acres) établie par voie de règlement et dans les limites de laquelle le forage d'un seul puits est autorisé en vue de la production de pétrole et de gaz.

Ventes directes : Ventes de gaz naturel négociées entre le producteur et l'utilisateur final, à des prix n'englobant pas le transport. Le transport par gazoduc doit faire l'objet d'ententes distinctes à négocier avec TCPL et l'entreprise locale de distribution.

Volume débité : Volumes de gaz vendus, achetés directement et transportés, auxquels s'ajoutent, s'il y a lieu, les volumes stockés.

Assiette des tarifs : Montant investi par une entreprise de services publics dans les biens utilisés pour fournir les services, moins l'amortissement cumulé, plus le montant consacré au fonds de roulement et tout autre poste retenu par la Commission. L'assiette des tarifs peut également être nette d'impôts sur le revenu reportés et cumulés.

Besoins en revenus : Revenus que l'entreprise de services publics doit réaliser par l'entremise des tarifs pour amortir les coûts de service. Ces revenus sont calculés en tenant compte des dépenses permises de l'entreprise et du rendement permis sur l'assiette des tarifs.

Bp3 : Abréviation désignant un milliard de pieds cubes de gaz, soit l'équivalent de 28,328 millions de mètres cubes.

Comité ontarien de coordination des pipelines (COCP) : Comité interministériel présidé par un membre du personnel de la Commission de l'énergie de l'Ontario et formé de représentants des ministères du gouvernement de l'Ontario qui se sont collectivement engagés à réduire à un minimum les répercussions environnementales de la construction et de l'exploitation de pipelines. Le concept d'environnement, interprété au sens large, englobe l'agriculture, les parcs, les forêts, la faune, les ressources en eau, les ressources sociales et culturelles, la sécurité du public et les droits des propriétaires terriens.

Ectement : Non-utilisation du réseau de la compagnie locale de distribution pour le transport du gaz.

Exercice de référence : Période de douze mois consécutifs (en général, le prochain exercice financier complet de l'entreprise) pour laquelle des prévisions des revenus, des coûts, des dépenses et de l'assiette des tarifs sont examinées par la Commission afin d'établir les tarifs qui permettront à l'entreprise de services publics d'obtenir un taux de rendement raisonnable.

Gigajoule (GJ) : Unité de mesure du contenu énergétique des combustibles et carburants. Un abonné résidentiel typique utilise environ 130 gigajoules (GJ) par an pour chauffer sa résidence (un GJ d'énergie thermique représente environ 0,95 million de pieds cubes de gaz naturel).

GWh : Gigawatt-heure.

Interrogatoires par écrit : Demandes par écrit de renseignements complémentaires ou de clarification de renseignements déjà reçus.

Intervention : Avis d'intention de participer à une audience, dans lequel on indique les raisons pour lesquelles on s'intéresse aux délibérations. La personne ou le groupe qui en est l'auteur porte le nom d'intervenant.

NPS : Taille nominale du tube (*nominal pipe size* en anglais). Par exemple, NPS 24 désigne un tube dont le diamètre extérieur est d'environ 610 mm, ou 24 pouces.

Ordonnance de la Commission : Document juridique régissant la mise à exécution d'une décision de la Commission. Les parties concernées doivent se conformer aux dispositions qu'il contient.

Plaidoirie : Étape finale de l'audience au cours de laquelle les participants résument leur position face aux diverses questions soulevées compte tenu des preuves présentées.

Production privée d'électricité : Production d'électricité par une entreprise appartenant à des intérêts privés.

Puits d'observation EBRM 98

Le 14 décembre 1989, la ministre des Richesses naturelles a renvoyé à la Commission trois demandes de permis de forage de puits d'observation de la formation de carbonate A1 dans les secteurs de stockage de gaz désignés de Dawn et Waubuno. Les lettres d'assentiment signées par les propriétaires terriens concernées par le forage de ces puits ont été déposées par Union et, le 31 juillet 1990, la Commission a rencontré des représentants de la compagnie afin d'examiner les demandes.

Le 16 août 1990, la Commission a publié son rapport recommandant l'approbation des demandes.

Puits de refoulement EBRM 99

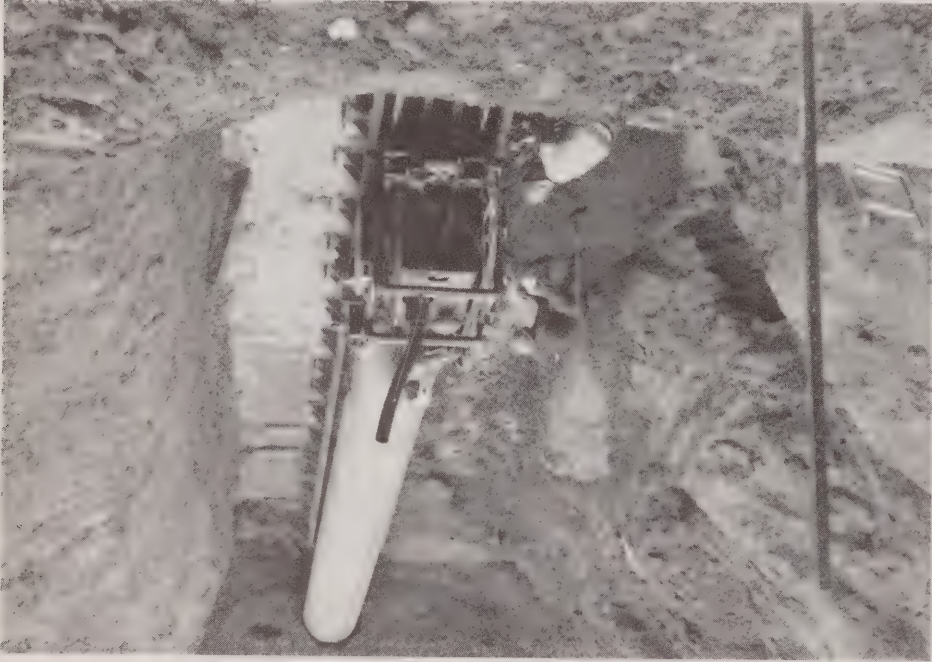
Le 3 mars 1990, Union a demandé à la ministre des Richesses naturelles de lui accorder la permission de forer d'un puits de refoulement dans sa propriété située dans le centre d'opérations de Dawn, dans le comté de Lambton. La ministre a saisi la Commission de la demande le 27 avril 1990. Ce n'est qu'en date du 26 février 1991 que Union a déposé les documents préalables auprès de la Commission. La réponse donnée à la demande dépendra de l'issue de discussions ayant lieu entre Union et le personnel de la section des ressources pétrolières du ministère des Richesses naturelles; leur but est de déterminer quels fluides peuvent être déversés dans la formation de la rivière Detroit à partir du puits.

ICG (aujourd'hui CENTRA)

Réservoir Oil Springs East EBRM 100

Le 4 septembre 1990, ICG a demandé à la ministre des Richesses naturelles un permis de forage d'un puits d'observation de la formation de carbonate A1 dans le réservoir Oil Springs East. Conformément à l'article 23 de la Loi sur la Commission de l'énergie de l'Ontario, la ministre a renvoyé la demande à la Commission. La demande a été faite en vertu d'une condition figurant dans la décision motivée rendue par la Commission (EBO 167/EBLO 233) en date du 8 février 1990 et autorisant ICG à injecter, stocker et prélever du gaz dans le réservoir.

La Commission a publié son rapport le 18 janvier 1991, dans lequel elle recommandait que le permis soit accordé sans audience, à la condition que soient prises des mesures de protection de l'environnement visant à limiter les répercussions des opérations de forage du puits et de déplacement de matériel vers le site.



Consumers Gas creuse un tunnel sous la rue Keele pour permettre le prolongement du gazoduc de Parkway Belt West.

Le 24 juillet 1989, *Union* a demandé à la Commission l'autorisation de construire trois tronçons de gazoduc NPS 48 le long du réseau de transport Dawn-Trafalgar, reliant le comté de Lambton à la municipalité régionale de Halton. Le premier tronçon, de 48,5 kilomètres de long, relierait la station de compression de Lobo à la station de ligne de Beachville. Le deuxième tronçon, long de 10,3 kilomètres, relierait le poste de vanne de Kirkwall au poste de vanne de Hamilton. Le troisième tronçon, de 11 kilomètres, relierait Milton à la station de compression de Parkway. L'audience consacrée à ce cas s'est déroulée en deux phases. La phase I, concernant le tronçon Kirkwall-Hamilton, a été approuvée par la Commission le 12 mars 1990, la construction s'étant achevée pendant l'été 1990.

Phase II - Lobo-Beachville et Milton-Parkway

L'association des propriétaires terriens de Middlesex-Oxford a participé à l'audience portant sur la phase II du prolongement proposé. Le tronçon Lobo-Beachville du gazoduc, ainsi que le tracé du futur pipeline de *Union* le long du couloir Dawn-Trafalgar étaient un sujet de préoccupation pour cette association. Il importait également d'établir s'il était nécessaire de construire un gazoduc sur toute la distance (48,5 km) séparant Lobo de Beachville.

Dans sa décision en date du 31 août 1990, la Commission a conclu que *Union* n'avait démontré la nécessité de construire un tronçon de gazoduc qu'entre Lobo et St. Marys (environ 30 km), en plus du tronçon Milton-Parkway. Elle indiquait de plus qu'elle rouvrirait la phase II pour permettre à *Union* de présenter des dépôts supplémentaires sur le besoin d'un tronçon St. Marys-Beachville. La Commission a également ordonné que des inspecteurs indépendants soient engagés par un comité composé de représentants du groupe de propriétaires terriens, de *Union* et d'un membre du personnel de la Commission. Ce comité a chargé un cabinet indépendant d'inspecter la construction du tronçon Lobo-Beachville pendant l'été 1991. Suite à la reprise de l'audience, consacrée au tronçon St. Marys-Beachville, la Commission a approuvé la construction du gazoduc dans sa décision du 16 avril 1991.

Pipeline Kitchener-Waterloo EBL0 237

Le 13 septembre 1990, *Union* a demandé à la Commission l'autorisation de construire 33,4 km de pipeline NPS 16 entre le poste de vanne nord d'Owen Sound et sa station de compression de St Jacob, afin de mieux garantir l'approvisionnement des villes de Kitchener et Waterloo. L'audience a eu lieu le 27 novembre 1990. La Commission a rendu sa décision le 22 février 1991, approuvant la construction de ce tronçon de pipeline pendant l'été 1991.

DEMANDES DE PERMIS DE STOCKAGE DE GAZ ET DE FORAGE
UNION

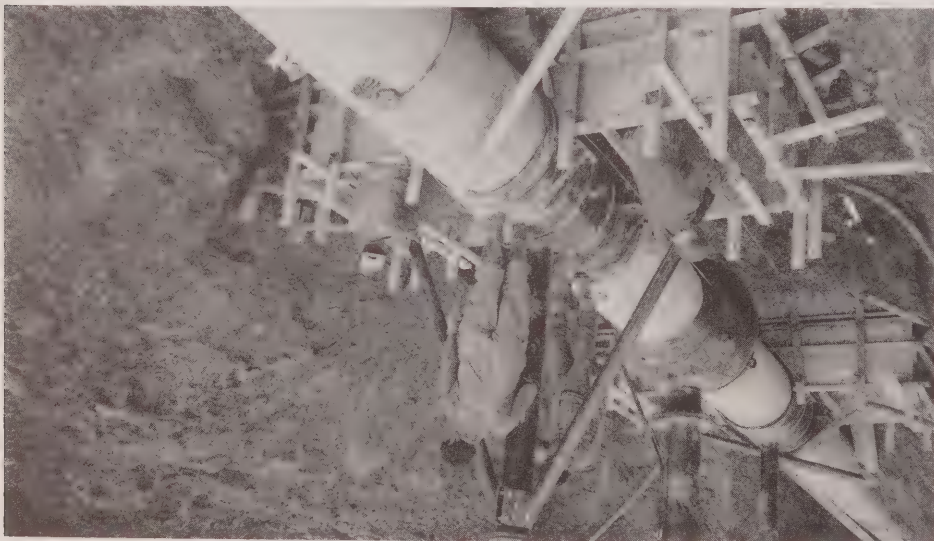
Réservoir Enniskillen 28 EBRM 95-1

La Commission a reçu un renvoi daté du 25 juin 1990 provenant de la ministre des Richesses naturelles, qui lui demandait de se prononcer sur deux demandes, présentées par *Union*, de permis de forage dans le réservoir Enniskillen 28, situé dans un secteur désigné de stockage de gaz. Une audience publique s'est tenue les 19 et 20 février 1991.

Dans son rapport en date du 15 avril 1991, la Commission a recommandé l'approbation des demandes de permis sous réserve de la prise de mesures de protection de l'environnement visant à limiter les répercussions des opérations de forage. La Commission a également recommandé que l'on impose à *Union* de construire une route d'accès temporaire aux deux sites de forage envisagés.

Parkway Belt West EBLO 235

Le 28 septembre 1989, Consumers Gas a demandé à la Commission l'autorisation de construire un gazoduc NPS 36 de 13 kilomètres pour prolonger son réseau de Parkway Belt, d'un point situé à l'ouest du chemin Albion, à Mississauga, jusqu'à sa station de la rue Keele, à Toronto. L'audience s'est déroulée le 20 mars 1990. La demande a été approuvée par la Commission dans sa décision en date du 4 mai 1990, et la construction s'est achevée pendant l'été 1990.



Construction par la compagnie Consumers Gas, de coffrages à béton pour l'installation de valves sur le prolongement du gazoduc de Parkway Belt West.

ICG (aujourd'hui CENTRA)

Front of Leeds and Lansdowne

 EBLO 236

Le 5 mars 1990, ICG a déposé une demande d'émission d'un certificat d'intérêt public et de nécessité pour desservir Lansdowne, dans le canton de Front of Leeds and Lansdowne, ainsi qu'une demande d'autorisation de construire une ligne de transport NPS 4 d'environ 6 km entre la ligne de transport de TCPL et Lansdowne.

L'audience a eu lieu les 26 et 27 septembre et le 3 octobre 1990. Consumers Gas est intervenue pendant cette audience pour s'opposer à la demande. Bien que Consumers Gas et ICG détiennent toutes deux des accords de concession valables qui leur permettent de desservir le canton, seule Consumers Gas détient le certificat d'intérêt public et de nécessité. Au cœur du débat était la viabilité économique du projet, qui dépendait de la construction du centre de distribution de Lansdowne (entrepôt et terminus de camions), construction qui est supposée avoir lieu en 1992. Selon les calculs de ICG, l'indice de rentabilité du projet ne sera que de 0,57 si ce centre de distribution n'est pas construit.

La Commission n'a pas approuvé la demande. Dans sa décision motivée en date du 14 décembre 1990, elle a déclaré qu'elle ne saurait approuver un projet qui dépendait fortement d'installations dont la construction n'était pas assurée. La Commission a conclu que le prolongement du réseau ICG vers Lansdowne n'était pas dans l'intérêt du public. Elle a en outre ordonné le transfert à Consumers Gas de quatre clients du canton qui n'étaient pas desservis de manière satisfaisante par ICG.

Le 29 août 1990, *Union Gas Limited* a déposé auprès de la Commission une demande de majoration tarifaire pour son exercice 1992 commençant le 1^{er} avril 1991. La demande originale a été modifiée en décembre 1990 en raison des tarifs plus élevés imposés par TCPL, et de l'émission, prévue pour l'exercice de référence, d'actions privilégiées d'un montant de 75 millions de dollars. Dans sa demande finale, *Union* prévoyait une insuffisance de recettes de 55,729 millions de dollars pour une assiette tarifaire de 1,505 milliard de dollars, un taux de rendement des actions ordinaires de 14,75 pour 100 et un ratio d'endettement de 29 pour 100. Le recouvrement de cette insuffisance, s'il était approuvé par la Commission, devait entraîner, pour les abonnés résidentiels, une augmentation de tarifs d'environ 4 pour 100.

L'audience a débuté le 7 janvier 1991 et a duré vingt-deux jours. Au cours de la partie de l'audience portant sur les besoins en revenus de 1992, la Commission a examiné le coût du capital et les contrats d'approvisionnement en gaz de la compagnie. L'audience a également porté sur les questions de la ventilation des coûts et de l'établissement des tarifs. Dans sa décision motivée en date du 2 avril 1991, la Commission a établi que l'assiette des tarifs était de 1,484 milliard de dollars, le taux de rendement des actions ordinaires de 13,5 pour 100 et l'insuffisance de recettes de 40,471 millions de dollars.

Sommaire des données financières
Exercice 1992

Demande		Autorisé
en dollars		
Assiette des tarifs	1 505 209	1 484 784
Recettes de la compagnie	152 616	152 709
Insuffisance de recettes brutes	55 729	40 471
en pourcentage		
Taux de rendement indiqué	10,14	10,28
Taux de rendement nécessaire	12,23	11,82
Ratio d'endettement	29,00	29,00
Taux de rendement des actions ordinaires	14,75	13,50

DEMANDES RELATIVES À DES INSTALLATIONS
CONSUMERS GAS

Ville de Deep River EBL0 231

Le 11 octobre 1989, *Consumers Gas* a déposé auprès de la Commission une demande d'autorisation de construction d'une ligne de transport NPS 4 pour desservir la ville de Deep River. La Commission avait étudié et rejeté une demande semblable en 1986.

L'audience a eu lieu à Toronto les 26 et 27 avril et le 1^{er} mai 1990. On y a surtout discuté de la viabilité économique du projet. Le 18 juin 1990, la Commission a rendu une décision provisoire permettant le lancement du projet à la condition que *Consumers Gas* obtienne une contribution financière de 400 000 \$, de façon à amener de 0,38 à 0,70 le ratio avantages-coût. La Commission a donné à *Consumers Gas* jusqu'au 31 décembre 1990 pour lui fournir la preuve de l'obtention d'une telle contribution financière.

Par lettre datée du 17 décembre 1990, *Consumers Gas* a demandé que le délai soit prolongé jusqu'au 30 juin 1991. À la reprise de l'audience, le 17 janvier 1991, la Commission a reçu la preuve que la compagnie et la ville de Deep River avaient commencé à négocier le versement d'une contribution financière. La Commission a accepté de prolonger le délai jusqu'au 30 juin 1991.



Mise en place d'un compresseur au réservoir de la compagnie Centra à Oil Springs East.

demande EBRRO 465 de *Consumers Gas*. La partie de l'audience commune qui portait sur la demande de la SLO s'est déroulée les 12, 13 et 18 décembre 1990 et le 8 janvier 1991. La Commission a rendu sa décision motivée le 21 mars 1991. Elle a indiqué que le fait de combiner, aux termes de son contrat, les volumes livrés aux soixante sites de la SLO ne rendait pas cette dernière admissible à une plus grande réduction au titre du RTBMC et de la RAFFV, et a déclaré que la demande de remboursement de 879 203 \$ était non fondée. Par contre, la Commission a ordonné à *Consumers Gas* de rembourser 35 000 \$ à la SLO, aux frais de ses actionnaires, pour avoir classifié Regent Park dans une catégorie de tarifs trop élevés.

TECUMSEH

Demande relative aux tarifs principaux - exercice 1991 EBRRO 466

Le 1^{er} février 1990, Tecumseh a présenté à la Commission une demande de majoration tarifaire pour son exercice 1991, calculée en fonction d'une insuffisance de recettes estimée à 2,009 millions de dollars. Après révision des prévisions de Tecumseh pour l'exercice 1990-1991, à la lumière des résultats de sept mois de l'exercice 1991, ce chiffre a été ultérieurement modifié, passant à 592 000 dollars. Cette insuffisance de recettes a été calculée en fonction d'un taux de rendement des actions ordinaires demandé de 13,50 pour 100 et d'un ratio d'endettement de 36,38 pour 100. Parmi les pièces fournies préalablement par Tecumseh à l'appui de sa demande figurait une étude géologique et technique (réservoir) portant sur la question des volumes de gaz à la pression de base non répertoriés. L'étude concluait qu'entre 1964 et novembre 1990, 6,816 Bp³ de gaz à la pression de base s'étaient soient déplacés, soient perdus. En conséquence, Tecumseh proposait de réduire son compte de gaz à la pression de base en tarification de base de 6 969 159 dollars sur les dix exercices à venir et de les recouvrer au moyen de ses tarifs. La compagnie évaluait son assiette des tarifs pour l'exercice 1991 à 91 millions de dollars.

L'audience a commencé le 5 mars 1991 et a duré cinq jours. La Commission n'avait pas fait connaître sa décision à l'issue de l'exercice.

Les membres de la Commission sont accueillis à Fort Frances.



intervenants.

Le 3 décembre 1990, la Commission a commencé à entendre des dépositions concernant l'accord de 1990 sur le prix du gaz conclu entre ICG et *Western Gas Marketing Limited*. ICG avait demandé que la Commission approuve les répercussions qu'aurait cet accord sur le prix du gaz pour la période allant du 1^{er} novembre 1990 au 31 octobre 1993.

Le 21 janvier 1991, la Commission a commencé à entendre le reste des dépositions de la Phase II; ICG demandait entre autres l'approbation d'un nouveau tarif de cogénération, ainsi que de tarifs visant à encourager le recours à certaines technologies permettant d'économiser l'énergie. La Commission n'avait pas encore fait connaître sa décision à l'issue de son exercice.

NRG

Demande relative aux tarifs principaux - exercice 1991 EBR0 466

Le 15 juin 1990, NRG a déposé auprès de la Commission une demande de majoration tarifaire pour son exercice 1991 commençant le 1^{er} octobre 1990. Ce 1^{er} octobre, la Commission déclarait provisoires les tarifs de NRG, pour une période d'un an au maximum. La compagnie prévoyait une insuffisance de recettes de 472 990 dollars calculée en fonction d'un taux de rendement demandé de 15,04 pour 100 sur une assiette des tarifs de 4 324 855 dollars.

L'audience s'est déroulée du 17 au 19 octobre avant d'être ajournée, puis a repris pendant une journée, le 10 décembre 1990. Dans sa décision motivée en date du 28 février 1991, la Commission a constaté une insuffisance de recettes de 158 178 dollars sur une assiette des tarifs totale de 4 245 172 dollars et un taux de rendement de 13,04 pour 100 sur cette même assiette des tarifs. La Commission a déterminé un taux de rendement des actions ordinaires de 14 pour 100 pour un ratio d'endettement de 32,1 pour 100. La date d'entrée en vigueur des nouveaux tarifs était le 1^{er} octobre 1990, la date de mise en oeuvre étant fixée par la Commission au 1^{er} avril 1991. La Commission a ordonné à NRG de compenser son insuffisance de recettes pour la période allant d'octobre à mars 1991 par un supplément «non renouvelable» devant être facturé en deux fois aux abonnés.

SOCIÉTÉ DE LOGEMENT DE L'ONTARIO

Demande de redressement tarifaire EBR0 459

Le 14 février 1989, la Société de logement de l'Ontario (SLO) a demandé à la Commission d'émettre une ordonnance fixant le montant de la réduction qui devait être appliquée par *Consumers Gas*, dans le cadre du Redressement des tarifs basé sur le marché concurrentiel (RTBMC) et de la Remise automatique fixée en fonction du volume (RAFFV), aux volumes de gaz combinés livrés aux 60 sites de la SLO pour la période allant du 1^{er} novembre 1986 au 24 février 1988. La Commission a décidé que l'audience portant sur la demande de la SLO aurait lieu en même temps que celle concernant la

Gas et Western Gas Marketing Limited. En ce qui concerne les coûts d'approvisionnement, Consumers Gas demandait l'approbation d'un tarif de 2,02 dollars le gigajoule pour l'exercice contractuel commençant le 1^{er} novembre 1990. Avant la conclusion de l'audience, Consumers Gas a signalé que le montant estimé de l'insuffisance de recettes augmenterait de 30,1 millions de dollars par suite de l'augmentation provisoire des tarifs de transport que TransCanada Pipelines Limited (TCP) avait prévue pour le 1^{er} janvier 1991.

Les audiences ont commencé le 20 novembre 1990 et se sont achevées le 8 janvier 1991, s'étendant sur vingt-quatre jours au total.

Dans sa décision motivée en date du 1^{er} mars 1991, la Commission a constaté une insuffisance de recettes de 27,8 millions de dollars (compte non tenu de l'incidence de l'augmentation de tarifs provisoire de TCP) et a autorisé Consumers Gas à augmenter ses tarifs en conséquence à compter du 1^{er} octobre 1990. En ce qui concerne l'augmentation provisoire des tarifs de TCP, la Commission a reconnu la validité des arguments de Consumers Gas et l'a autorisée à augmenter ses tarifs à compter du 1^{er} avril 1991 de façon à compenser l'incidence sur tout l'exercice de l'augmentation de 30,1 millions de dollars. La Commission a aussi approuvé les conséquences de l'accord modificateur sur le coût du gaz. En outre, elle a ordonné à Consumers Gas d'inscrire au compte de variation des achats de gaz de 1991 les variations de prix du gaz achetées par Consumers Gas entre la date d'entrée en vigueur des nouveaux tarifs de TCP et le 1^{er} avril 1991.

Dans ses deux dernières décisions prises à l'égard de Consumers Gas, la Commission s'était déclarée préoccupée par le niveau de productivité de la main-d'oeuvre de la compagnie ainsi que par l'augmentation considérable de ses effets depuis 1987. La Commission lui a ordonné de présenter, lors de la prochaine audience sur les tarifs, des pièces prouvant la mise en place d'un programme efficace visant à encourager, mesurer et récompenser les améliorations de la productivité.

Sommaire des données financières **Exercice 1991**

	Demande	Autorisé
Assiette des tarifs	1 709,91	665,2
Recettes de la compagnie	193,3	186,1
Insuffisance de recettes brutes	35,1	27,8
	en millions de dollars	
Taux de rendement indiqué	11,32	11,18
Taux de rendement nécessaire	12,46	12,12
Ratio d'endettement	35,00	35,00
Taux de rendement des actions ordinaires	14,00	13,125

ICG (aujourd'hui CENTRA)

Demande relative aux tarifs principaux - exercice 1991 EBR0 467

Le 3 août 1990, ICG a déposé auprès de la Commission une demande de majoration tarifaire pour son exercice 1991, calculée en fonction d'une insuffisance de recettes estimée à 2,7 millions de dollars. Ce chiffre a été ultérieurement modifié, passant à 10,8 millions de dollars, principalement en raison d'une augmentation provisoire des tarifs de TCP ainsi que d'une modification du taux de rendement des actions ordinaires demandé par la compagnie. Le chiffre révisé de l'insuffisance des recettes était calculé en fonction d'un taux de rendement des actions ordinaires demandé de 15 pour 100 et d'un ratio d'endettement de 36 pour 100.

L'audience des dépôts de la phase I (besoins de recettes) a débuté le 5 novembre 1990. La demande d'ICG prévoyait que les abonnés de Fort Frances subiraient une augmentation en sus des augmentations envisagées pour l'ensemble du réseau. Le 13 novembre 1990, la ville de Fort Frances a déposé auprès de la Commission une motion demandant que l'audience se déroule en partie dans la localité. La Commission a décidé que les abonnés de la région de Fort Frances devraient avoir la possibilité d'assister à l'audience, non seulement afin de se faire entendre de la Commission,

• L'autorisation nécessaire en vertu de la Loi sur Investissement Canada devra avoir été obtenue et présentée au lieutenant-gouverneur en conseil.

• Les engagements recommandés seront pris officiellement auprès du lieutenant-gouverneur en conseil et prendront effet à la date de la conclusion de l'accord entre *British Gas* et *CW*.

• *British Gas* et ses filiales devront avoir présenté un plan détaillé portant sur la reprise de l'émission d'actions publiques. Ce plan doit recevoir l'aval du lieutenant-gouverneur en conseil et être conforme à la description figurant dans les engagements.

• *British Gas* et ses filiales devront avoir présenté un plan détaillé d'organisation des opérations de trésorerie de *Consumers Gas* au sein de celle-ci, le plan devant obtenir l'aval du lieutenant-gouverneur en conseil.

• *British Gas* et ses filiales devront prouver au lieutenant-gouverneur en conseil que la maison mère de *Consumers Gas* est constituée en Ontario et que son siège social s'y trouve également.

L'achat de *Consumers Gas* a été mené à bien le 14 décembre 1990.

.....

DEMANDES RELATIVES AUX TARIFS DU GAZ NATUREL
CONSUMERS GAS

Demande relative aux tarifs principaux - exercice 1990 EBR0 464

Le directeur de la Commission chargé des enquêtes en matière d'énergie a procédé à une vérification de *Consumers Gas* en 1989; sur la base des résultats de cet examen, la Commission a décidé de revoir les tarifs de *Consumers* pour 1990 lors d'une audience portant sur un ordre du jour restreint. Les pièces présentées par la compagnie faisaient état d'une insuffisance de recettes estimée à 10,3 millions de dollars, compte tenu d'un taux de rendement des actions ordinaires demandé de 14 pour 100 et d'un ratio d'endettement de 35 pour 100.

L'audience a débuté le 19 avril 1990 et s'est achevée le 2 mai 1990. On y a également abordé des questions portant sur le taux de rendement des actions ordinaires pour les exercices 1990 et 1991.

Dans sa décision en date du 19 juillet 1990, et dans un addendum en date du 2 août 1990, la Commission a constaté l'existence d'un montant de recettes suffisant de 6 millions de dollars, d'une assiette des tarifs de 1,539 milliard de dollars et d'un taux de rendement des actions ordinaires de 13,25 pour 100 pour un ratio d'endettement de 35 pour 100.

Sommaire des données financières
Exercice 1990

Demande		Autorisé
en millions de dollars		
Assiette des tarifs	1 579,1	1 539,4
Recettes de la compagnie	190,7	190,7
Insuffisance de recettes brutes (surplus)	10,3	(6,0)
Taux de rendement indiqué		
Taux de rendement nécessaire	2,45	2,17
Ratio d'endettement	35,00	5,00
Taux de rendement des actions ordinaires	14,00	3,25

Demande relative aux tarifs principaux - exercice 1991 EBR0 465

Le 1^{er} décembre 1989, *Consumers Gas* a déposé auprès de la Commission une demande de majoration tarifaire pour son exercice 1991, calculée en fonction d'une insuffisance de recettes estimée à 50,8 millions de dollars. Préalablement à l'audience, *Consumers* a mis à jour les pièces présentées à l'appui de sa demande, faisant état d'une insuffisance de recettes estimée à 35,1 millions de dollars calculée en fonction d'un taux de rendement des actions ordinaires demandé de 14 pour 100 et d'un ratio d'endettement de 35 pour 100. Ces nouveaux chiffres tenaient également compte du nouveau coût du gaz dérivant de l'accord modificateur conclu le 5 septembre 1990 entre *Consumers*

La Commission a donc conclu, après examen de la question, que la transaction proposée ne nuisait pas à l'intérêt public, pourvu que *British Gas* et ses filiales satisfassent à certaines conditions avant de recevoir l'autorisation officielle, et qu'elles prennent les engagements recommandés par la Commission. La Commission a recommandé les conditions suivantes :

Le 20 avril 1990, le lieutenant-gouverneur en conseil a émis un décret enjoignant à la Commission, conformément à l'article 36 de la Loi, de tenir une audience et de déposer un rapport sur certaines questions concernant l'offre d'achat.

La Commission a décidé d'examiner ces questions et la demande de *British Gas* lors d'une audience qui a commencé le 26 juin 1990. Les débats se sont poursuivis jusqu'au 7 août 1990, date à laquelle la dernière plaidoirie-réponse a été entendue. Le rapport de la Commission a été publié le 15 octobre 1990.

Le 16 mars 1990, *British Gas plc* a soumis une requête à la Commission, conformément à l'article 26 de la Loi sur la Commission de l'énergie de l'Ontario, en vue d'obtenir du lieutenant-gouverneur en conseil l'autorisation de lancer une offre d'achat des actions ordinaires de *Consumers Gas*. *British Gas* a fait savoir que l'offre d'achat des actions ordinaires émanerait d'une de ses filiales canadiennes dont elle est propriétaire à 100 pour 100, conformément à un accord conclu le 7 mars 1989 entre *British Gas* et *GW Utilities Limited* (société mère de *Consumers Gas*).

ACQUISITION DE THE CONSUMERS' GAS COMPANY LTD. EBR/LC 35, 35-1, 35-3

Le projet présenté par Ontario Hydro prévoyait également une révision de la politique de la Société en matière de bénéfice net. La Commission a remis à l'automne l'examen de cette question afin d'étudier à fond les ramifications. L'audience s'est tenue pendant plusieurs jours, à intervalles irréguliers, entre le 18 septembre et le 2 novembre 1990. Dans son rapport final, daté du 31 janvier 1991, la Commission a recommandé qu'Ontario Hydro établisse son bénéfice net en tenant compte de l'intérêt pour l'exercice 1992, et qu'elle discute avec le ministre de l'Énergie de la possibilité d'obtenir un rendement sur ses capitaux propres pour le reste des années 1990.

Le rapport recommandait également à Ontario Hydro de réviser le plafond de ses émissions de gaz acides, ainsi que sa décision de remettre en service la centrale R. L. Hearn de Toronto. La Commission a suggéré que l'énergie nucléaire soit reconnue comme étant un service essentiel du fait qu'elle satisfait plus de 50 pour 100 des besoins en électricité de la province et qu'elle est vulnérable à tout mouvement de grève de la part des opérateurs et superviseurs autorisés par la Commission de contrôle de l'énergie atomique (CCÉA). La Commission de l'énergie de l'Ontario était d'avis que la date de mise en service de la centrale nucléaire de Darlington serait repoussée à nouveau. Elle a par ailleurs recommandé que les dispositions de la Loi sur la société de l'électricité relatives aux prestations de retraite s'harmonisent avec celles du projet de loi sur les régimes de retraite, et que les niveaux moyens de rémunération d'Ontario Hydro se rapprochent davantage de ceux d'employeurs de même type. La Commission a recommandé qu'Ontario Hydro adopte officiellement l'objectif à long terme du ministre en matière de production privée d'électricité, et que la Société organise un atelier d'information sur les coûts de production éparpillés, de façon à ce que l'industrie soit en mesure de présenter des soumissions plus pertinentes à la Commission des évaluations environnementales lors de l'examen du Plan de l'offre et de la demande.

Le rapport recommandait également à Ontario Hydro de réviser le plafond de ses émissions de finantiers que subissait la Société et de la mise en oeuvre de la TPS en 1991. Indiqué qu'une plus grande augmentation des tarifs n'était pas souhaitable en raison des pressions respectant ses obligations légales en matière de remboursement de sa dette. La Commission a ses frais de 40 millions de dollars supplémentaires afin de limiter la majoration à 7,8 pour 100 tout en son budget de 150 millions de dollars. La Commission recommandait en outre à la Société de réduire dont celle d'augmenter de 7,8 pour 100 les tarifs d'Ontario Hydro, et exportait cette dernière à réduire

Le rapport de la Commission, publié le 31 août 1990, comportait cinquante recommandations, augmenter ses tarifs de 10,4 pour 100. son fonds de stabilisation des tarifs, si elle voulait maintenir l'augmentation à 7,8 pour 100, soit la dette qui lui est imposée par la loi, il lui faudrait soit puiser dans son fonds de prévoyance et dans supplémentaires pendant l'exercice 1991. Étant donné ces frais et l'affectation au remboursement de En mai 1990, Ontario Hydro a établi que ses frais s'élèveraient à 189 millions de dollars

M. O.J. Cook, membre de la commission, passe en revue un dossier avant une audience.



TYPE
N° DE DOSSIER

REQUÉRANT

OBJET

DE CAS

EBA	599	Union	Canton de Brantford
EBA	600	Union	Canton de Lobo
EBA	601	Union	Canton de Tyendinaga
EBA	602	Centra	Canton de Springier
EBA	603	Union	Ville de Leamington
EBA	604	Union	Ville de Dundas
EBA	605	Union	Municipalité régionale de Waterloo
EBA	606	Centra	Ville de Fort Frances

Autres ordonnances de la Commission de l'Énergie de l'Ontario

EBO	171	Consumers Gas	Rachat d'actions de Tecumseh Gas Storage
Imperial Oil			

Certificats d'intérêt public et de nécessité

EBC	196	Centra	Front of Leeds and Lansdowne
EBC	197	Centra	Canton de Morley

Rapports au ministre des Richesses naturelles sur les permis de forage de puits

EBRM	95	Union	Réservoir de stockage Enniskillen
EBRM	98	Union	Secteurs de stockage Dawn et Waubuno
EBRM	99	Union	Puits Dawn 7-25-II
EBRM	100	Centra	Réservoir de stockage Oil Springs East

Ordonnances de comptabilité uniforme

UA	86	Union	Ouverture d'un compte de report affecté aux tarifs
R1			du contrat portant sur un service T groupe



Un surveillant au tableau de contrôle de la génératrice 1 de la centrale nucléaire de Darlington.

EXAMEN DE LA DEMANDE D'ONTARIO HYDRO

PROPOSITION RELATIVE AUX TARIFS DE VENTE D'ÉLECTRICITÉ EN GROS

HR 19

Le 27 mars 1990, la ministre de l'Énergie a saisi la Commission de la demande présentée par Ontario Hydro de relever de 7,8 pour 100 ses tarifs de vente d'électricité en gros à compter du 1^{er} janvier 1991. Cette majoration de 7,8 pour 100 venait s'ajouter à celle de 7 pour 100 du prix de l'électricité due à l'entrée en vigueur, le 1^{er} janvier 1991, de la taxe sur les produits et services (TPS). Le chiffre de 7,8 pour 100 était calculé en fonction d'un besoin de recettes nettes de 7 486 millions de dollars, ce qui représente une augmentation de 738 millions de dollars par rapport aux revenus de 1990.

RÉCAPITULATION DES ACTIVITÉS

Résumé des activités de la Commission de l'énergie de l'Ontario entre le 1^{er} avril 1990 et le 31 mars 1991

TYPE	N° DE DOSSIER	REQUÉRANT	OBJET
DE CAS			
EBRO	459	Société de logement de l'Ontario	Différend avec Consumers Gas en matière de tarifs
EBRO	461	Algoma Steel	Tarifs spéciaux - Centra
EBRO	464	Consumers Gas	Examen des tarifs pour l'exercice 1990 (étude d'un nombre restreint de questions)
EBRO	465	Consumers Gas	Examen des tarifs pour l'exercice 1990
EBRO	466	Tecumseh	Tarifs pour l'exercice 1991
EBRO	467	Centra	Tarifs pour l'exercice 1991
EBRO	468	NRC	Tarifs pour l'exercice 1991
EBRO	470	Union	Tarifs pour l'exercice 1992
EBRO	471	Produits forestiers Canadien Pacifique Ltée	Tarifs spéciaux - Centra
HR	19	Ministre de l'Énergie	Tarifs de distribution de l'électricité pour l'exercice 1991
Renvoi de la part du ministre de l'Énergie au sujet d'Ontario Hydro			
EBRLG	35, 35-1, 35-3	Consumers Gas	Prise de contrôle de Consumers Gas (British Gas plc)
EBRLG	35-5	Consumers Gas	Prise de contrôle de Tecumseh Gas Storage
Renvoi de la part du lieutenant-gouverneur en conseil			
EBLO	234	Union	Prolongement de la section Lobo - Beachville
EBLO	234 (1-65)	Union	Expropriations - Lobo/St. Marys et Milton/Parkway
EBLO	235	Consumers Gas	Prolongement du pipeline de Parkway Belt West
EBLO	235 (1)	Consumers Gas	Expropriation - Domaine McKay
EBLO	236	Centra	Front of Leeds and Lansdowne
EBLO	237	Union	Renforcement de la section Kitchenner - Waterloo West
EBLO	237 (1-62)	Union	Expropriations - Kitchenner/Waterloo West Line
EBLO	238	Consumers Gas	Raccord sud - Mississauga
Ordonnances relatives à la construction de pipelines et aux expropriations			
EBLO	73	Union	Pipeline du canton de Sandwich South
PL	74	Union	Pipeline de St. Thomas North
PL	75	Union	Réservoir de stockage Bniskillen
PL	76	Union	Ligne de transport de Fergus
PL	77	Union	Prolongement de Cambridge
PL	79	Union	Pipeline de Nanticoke
Exemptions relatives à des pipelines			
EBA	497	Centra	Canton de Cramahe
EBA	587	Union	Ville de Thornbury
EBA	588	Union	Canton de South Dumfries
EBA	589	Union	Ville de Paris
EBA	590	Union	Ville de Cambridge
EBA	593	Union	Ville de Clinton
EBA	594	Union	Canton de McKillop
EBA	596	Union	Ville de Kingsville
EBA	597	Centra	Canton de Morley
EBA	598	Union	Comté de Wellington
Autorisations relatives aux concessions			

6 ORDONNANCES DE PROCÉDURE

La Commission peut émettre des ordonnances de procédure se rapportant expressément à l'affaire à l'étude. Entre autres, ces ordonnances peuvent fixer la date de l'audience ou prévoir la date limite avant laquelle certaines formalités doivent être accomplies, telles que le dépôt de preuves justificatives, l'envoi de questionnaires et la communication des résultats de ces questionnaires. L'ordonnance de procédure peut également prévoir une liste des questions à aborder lors de l'audience.

7 DÉLIBÉRATIONS LIMINAIRES

Avant le début de l'audience, les représentants de la Commission peuvent proposer de revoir les questions de procédure, les points techniques et la démarche qui sera suivie pendant l'audience. De cette manière, les parties en cause peuvent se familiariser avec tous les aspects de la demande et définir les questions qu'elles désirent soulever.

8 AUDIENCE

La Commission s'assure que les preuves présentées sont suffisantes, qu'elles ont été vérifiées et qu'elles sont versées au dossier, de façon à rendre sa décision en connaissance de cause. En règle générale, c'est le requérant qui présente d'abord son argumentation, en produisant des preuves écrites et en faisant comparaître des témoins. Les intervenants et l'avocat de la Commission interrogent ensuite les témoins et peuvent eux aussi faire entendre leurs propres témoins. Ces derniers peuvent être contre-interrogés par le requérant et par les autres intervenants. Lorsque toutes les preuves ont été présentées, chaque partie peut récapituler les faits dans une plaidoirie écrite ou verbale, selon les directives de la Commission.

Les preuves déposées par anticipation, les plaidoiries et les transcriptions des délibérations qui ont eu lieu à l'audience sont tenues à la disposition du public au bureau de la Commission, à Toronto.

9 DÉCISIONS ET RAPPORTS DE LA COMMISSION

Selon que l'audience résulte d'un renvoi, d'une demande ou d'un avis de la Commission, cette dernière doit présenter un résumé de ses délibérations dans un document intitulé «Rapport», ou «Décision et motifs». Ce document porte sur toutes les questions soulevées lors de l'audience et énonce les recommandations et les conclusions de la Commission. Sa publication peut exiger plusieurs semaines ou même plusieurs mois, selon la complexité de l'affaire en cause. On peut se procurer des exemplaires de ce document contre paiement d'une somme modique, à la librairie du gouvernement de l'Ontario, 800, rue Bay, à Toronto. La Commission en remet des exemplaires aux personnes ayant participé à l'audience.

Dans la plupart des affaires étudiées à la demande du lieutenant-gouverneur en conseil, du ministre de l'Énergie ou du ministre des Richesses naturelles, les parties concernées ne sont pas tenues de se conformer aux recommandations de la Commission. Le ministre concerné ou le lieutenant-gouverneur en conseil décide s'il doit ou non y donner suite. Toutefois, lorsqu'il s'agit d'un renvoi de la part du ministre des Richesses naturelles au sujet d'un permis de forage, le ministre doit se conformer aux recommandations de la Commission.

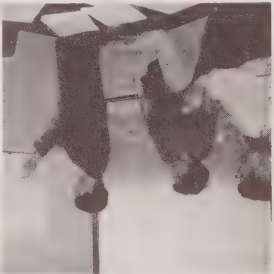
10 ORDONNANCE DE LA COMMISSION

Une ordonnance de la Commission est un document juridique sommant les parties citées de mettre à exécution la décision de la Commission. Elle a force exécutoire.

11 RÉVISION ET APPEL

On peut interjeter appel d'une décision ou d'une ordonnance de la Commission comme suit :

- en demandant à la Commission d'annuler ou de modifier son ordonnance;
- en adressant une pétition au lieutenant-gouverneur en conseil;
- en interjetant appel de l'ordonnance de la Commission devant la Cour divisionnaire sur une question de droit ou de compétence juridique;
- en demandant à la Cour divisionnaire de procéder à une révision judiciaire de la décision de la Commission.



Le personnel des services techniques se prépare pour la prochaine audience.

L es audiences publiques sont l'un des principaux mécanismes qui permettent à la Commission de s'acquitter de son mandat. Les audiences publiques donnent également la possibilité de se faire entendre aux groupes et particuliers qui peuvent être touchés par les décisions de la Commission. La participation du public permet à la Commission de s'assurer que ses décisions sont justes et qu'elles tiennent compte des divers points de vue et intérêts. L'audience est un processus en onze étapes.

1 DÉBUT

Le processus est mis en branle :

- sur réception d'une demande;
- sur réception d'une demande adressée par le lieutenant-gouverneur en conseil, le ministre de l'Énergie ou le ministre des Richesses naturelles; ou
- lorsque la Commission décide d'étudier une question relevant de sa compétence.

2 AVIS DE PRÉSENTATION D'UNE DEMANDE

Les requérants doivent remettre à toutes les parties concernées et à tous les groupes publics intéressés l'avis de la Commission se rapportant à leur demande. Si la Commission décide de tenir une audience de sa propre initiative, c'est elle qui transmet l'avis à qui de droit. Lorsque l'audience porte sur une modification de tarif importante, la compagnie de gaz naturel fait d'ordinaire publier le texte de son avis de présentation de demande dans les quotidiens de la région touchée. Lorsque une demande touche les habitants de certaines régions désignées par le gouvernement, tous les avis doivent également paraître en français dans des quotidiens de langue française. Si aucun quotidien de langue française n'est publié dans la région, l'avis doit paraître dans un hebdomadaire de langue française.

3 INTERVENTIONS

Les groupes et les personnes qui désirent participer à une audience - les intervenants - doivent déposer un avis d'intervention décrivant les raisons pour lesquelles ils désirent être présents. Avant 1989, les participants pouvaient demander le remboursement de leurs frais de participation à l'issue de l'audience. La Loi sur le projet d'aide financière aux intervenants, qui est entrée en vigueur le 1^{er} avril 1989, permet aux intervenants de demander une indemnisation avant la tenue de l'audience. Un comité de financement constitué par la Commission décide si les requérants sont admissibles à cette aide et, le cas échéant, fixe le montant qui leur sera versé. Les participants peuvent continuer à demander le remboursement de leurs frais à la clôture de l'audience, comme par le passé.

4 AVIS D'AUDIENCE

Lorsque la Commission a déterminé la nature et la durée probable de l'audience, elle demande au requérant d'aviser toutes les parties concernées de l'heure et du lieu où elle se déroulera.

5 DOCUMENTATION PRÉPARATOIRE

Afin de permettre à toutes les parties d'étudier la documentation relative à la demande, le requérant doit remettre les documents à l'appui de sa demande de deux à trois mois avant le début de l'audience. Le personnel de la Commission et les intervenants peuvent également demander à l'entreprise de services publics de répondre à des questions par écrit avant la tenue de l'audience. Ils peuvent aussi présenter leurs propres arguments pour étayer leur position lors de l'audience. Lorsque la demande porte sur la construction de pipelines, elle est d'abord étudiée par le Comité d'entretien de coordination des pipelines. Par conséquent, les documents préparatoires doivent indiquer le tracé choisi et être accompagnés d'études portant sur les répercussions environnementales prévues.



Lea, avocate pour la Commission, se prépare pour la prochaine audience.



Le personnel des services administratifs vérifiant les comptes.

de coûts remises aux compagnies.

La Loi sur la Commission de l'énergie de l'Ontario autorise la Commission à recouvrer une partie de ses frais auprès des entreprises de services publics qui participent à ses audiences et autres activités connexes. Après la tenue d'une audience, la Commission remet à l'entreprise de services publics en cause une ordonnance de coûts qui représente une partie des frais engagés par la Commission et, si cette dernière en décide ainsi, les frais engagés par les intervenants. Le montant à payer à la Commission comprend les dépenses directes et les débours associés à une audience précise, ainsi qu'une portion des frais fixes de la Commission, dont les frais généraux et les traitements de son personnel.

Pour l'exercice 1990-1991, le budget de fonctionnement de la Commission était de 5,7 millions de dollars. De ce montant, 80 pour 100 seront récupérés en temps utile par l'entremise des ordonnances de coûts remises aux compagnies.

Commission de l'Énergie de l'Ontario Crédit 1404-1

Budget des dépenses 1990-1991, par poste comptable

2 472 300	Traitements et salaires
475 900	Avantages sociaux du personnel
309 300	Transport et communications
2 045 500	Services
401 100	Fournitures et matériel
5 704 100	Total affecté au programme de la Commission de l'énergie de l'Ontario

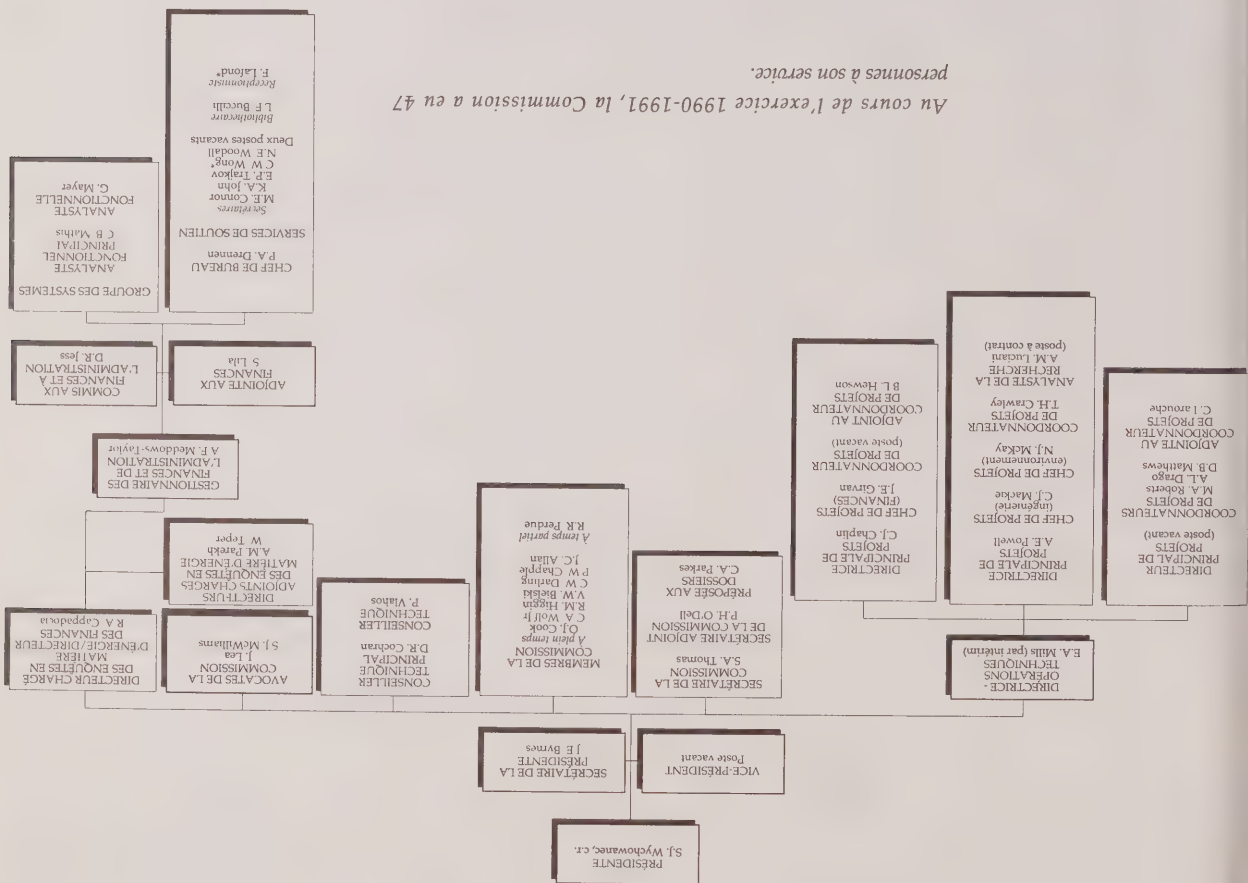
Ventilation des dépenses pour 1990-1991

5 704 100	Budget des dépenses 1990-1991
4 935 711	Moins dépenses pour 1990-1991
768 389	Solde
144 700	Moins compensations reçues du Conseil de gestion du gouvernement
623 689	Solde rajusté



L'examen du dossier d'un requérant par les services techniques.

STRUCTURE



Au cours de l'exercice 1990-1991, la Commission a eu 47 personnes à son service.

personnes à son service.

STRUCTURE FINANCIÈRE ET ADMINISTRATIVE

La Commission de l'énergie de l'Ontario est un organisme réglementaire de catégorie 1. Cela signifie que son financement est assuré à partir du Fonds du revenu consolidé et qu'elle tombe sous le coup de toutes les directives administratives établies par le Conseil de gestion du gouvernement et adoptées par le gouvernement de l'Ontario. La Commission présente son budget à son ministre de tutelle, le ministre de l'Énergie, qui l'incorpore à son propre budget, et c'est sous cette dernière forme que le budget est soumis à l'approbation du Conseil de gestion du gouvernement, puis de l'Assemblée législative. On trouvera ci-après la description chiffrée de la situation financière de la Commission.

La Commission a chargé E.B.A. Associates Inc. de comparative à titre d'expert lors d'une audience de la Commission portant sur l'examen du rapport d'Ontario Hydro sur sa politique en matière de bénéfices net; le contrat, de plus de 25 000 dollars, a été attribué sans appel d'offres. La situation était urgente et il n'a pas été possible de se conformer au processus normal d'appel d'offres, étant donné la difficulté de trouver un expert qualifié dans les délais imposés. Le Conseil de gestion a été averti immédiatement de cette entorse faite à la règle.

AUTRES QUESTIONS

Les compagnies de gaz naturel doivent utiliser le système de comptabilité uniforme établi par la Commission et ne peuvent s'en écarter sans son autorisation préalable. La Commission poursuit son travail de mise à jour du règlement prescrivant la classification des méthodes de comptabilité. Il s'agit de la dernière refonte de ce document depuis l'adoption de la Loi sur la Commission de l'énergie de l'Ontario, en 1966.

Les compagnies de gaz naturel communiquent régulièrement à la Commission des données sur leurs opérations et leurs résultats financiers. Lorsque les recettes d'une compagnie sont trop faibles ou trop élevées par rapport au taux de rendement permis, le directeur de la Commission chargé des enquêtes en matière d'énergie peut mener une enquête spéciale avec le concours de son personnel. La Commission peut, de sa propre initiative, exiger d'une compagnie qu'elle compare ses données devant elle pour lui fournir des explications sur ses recettes; elle peut également, le cas échéant, procéder à une révision des tarifs.

La nature des services publics évolue au rythme des conditions économiques et sociales. Il convient donc que la Commission procède à un examen permanent des lois qui touchent les services publics et, au besoin, qu'elle propose des modifications.



Un ouvrier de ligne d'Ontario Hydro

CERTIFICATS D'INTÉRÊT PUBLIC ET DE NÉCESSITÉ

Nul ne peut construire un ouvrage d'approvisionnement en gaz dans une municipalité sans l'autorisation préalable de la Commission. Délivrée sous forme de certificat, cette autorisation n'est consentie que si l'intérêt et la nécessité publics semblent la justifier.

STOCKAGE DU GAZ NATUREL

L'aptitude à stocker le gaz est essentielle au bon fonctionnement du réseau de distribution de l'Ontario. Les réservoirs de stockage constituent donc une ressource naturelle très importante pour l'économie de la province. La plupart des emplacements de stockage sont d'anciens gisements de gaz situés dans le sud-ouest de la province. Le gaz qui y est stocké est utilisé par les transporteurs et les distributeurs pour répondre aux fluctuations de la demande et parer aux situations d'urgence. En règle générale, le gaz est stocké pendant l'été car la demande est relativement faible à cette période. Il est récupéré en période hivernale lorsque la demande est très forte. Grâce à ce système, le réseau de distribution du gaz provenant de l'Ouest canadien peut fonctionner efficacement.

En vertu de la *Loi sur la Commission de l'énergie de l'Ontario*, il est interdit de stocker du gaz dans une formation géologique à moins qu'il ne s'agisse d'un emplacement conforme à la description figurant dans le Règlement 700 des Règlements refondus de l'Ontario, 1980, pris en application de la *Loi sur la Commission de l'énergie de l'Ontario*. Lorsqu'elle étudie une demande visant l'aménagement d'un réservoir naturel de stockage, la Commission doit déterminer si la structure géologique se prête à l'usage proposé et, dans l'affirmative, en définir les limites géographiques; elle établit en outre si le requérant a le droit d'exploiter ce réservoir, si la demande correspond à un besoin réel et si les emplacements à désigner pour le stockage; elle autorise leur utilisation et décide de l'indemnisation payable aux personnes sous les propriétés desquelles se trouvent les réservoirs de stockage, en cas de désaccord entre ces derniers et les requérants.

Les demandes de permis de forage de puits dans une zone désignée de stockage de gaz doivent être soumises à l'examen de la Commission par le ministre des Richesses naturelles, au nom duquel les permis sont délivrés. Si le requérant exploite également l'exploitation autorisée de la zone de stockage, la Commission peut traiter la demande comme elle l'entend avant de faire rapport au ministre. Toutefois, si le requérant n'est pas l'exploitant autorisé, la Commission doit tenir une audience publique.

Les compagnies qui désirent stocker sous pression des fluides dans une formation géologique doivent obtenir un permis auprès du ministre des Richesses naturelles. Si le puits d'injection est situé à moins de 1,6 kilomètre d'une zone désignée pour le stockage du gaz, le ministre doit demander à la Commission d'étudier la question et de présenter un rapport à ce sujet, conformément à la *Loi sur les richesses pétrolières*.

La Commission réglemente l'association de divers intérêts qui s'unissent pour forer ou exploiter des puits de gaz et de pétrole dans un secteur unitaire, un champ ou un gisement. Elle réglemente aussi la nomination des gestionnaires et la répartition des coûts et avantages associés à ces activités de forage et d'exploitation.

Foix la construction achevée.

L'utilisation des emprises routières, aux autorisations de travaux, et à la remise en état des terres une entrée en vigueur en 1988, établit les conditions types devant présider à la distribution du gaz, à un modèle d'accord dont s'inspireraient tous les accords nouveaux ou reconduits. Le modèle, qui est difficile. C'est pourquoi le Comité des accords de concession a été créé en 1985 en vue de rédiger un Les négociations entre une municipalité et une compagnie de services publics peuvent être longues et

Bon nombre des accords actuels, qui remontent à trente ans ou plus, sont sur le point d'expirer. différentes à l'accord de concession.

municipal dont dépend l'attribution de la concession, la Commission doit approuver les conditions sur son territoire et d'utiliser les emprises routières. Mais avant que puisse être adopté le règlement Toute municipalité peut accorder à la compagnie de gaz de son choix le droit de fournir un service

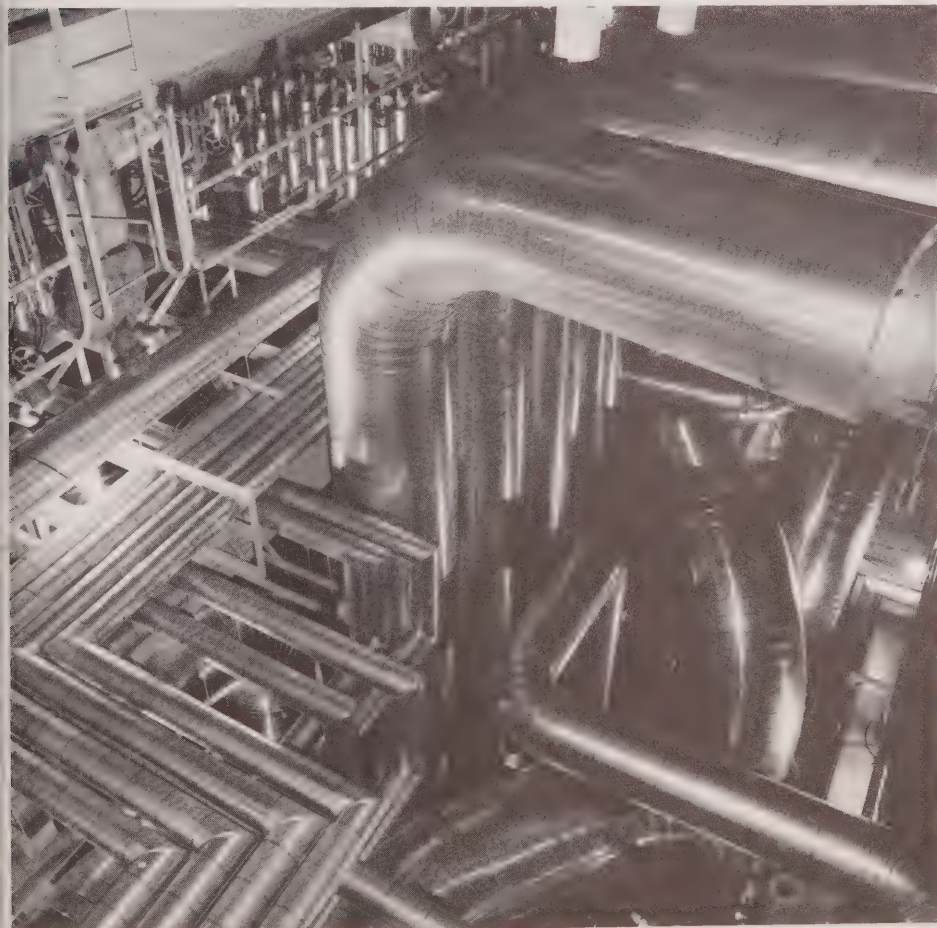
APPROBATION DES ACCORDS DE CONCESSION

une route, une ligne à haute tension ou un fossé. pipelines et des installations connexes, et son consentement est exigé lorsqu'un pipeline doit traverser l'autorisation de construire. Elle autorise également les expropriations nécessaires à l'installation des

Lorsqu'elle accorde son approbation à un projet, la Commission émet une ordonnance accordant une place plus importante dans la planification des projets de pipelines.

matière de protection de l'environnement. Les *Directives environnementales* accordent aussi au public

Conduite de vapeur de la turbine n° 6 à la centrale nucléaire Bruce d'Ontario Hydro.



Ontario Hydro est la plus importante société d'État en Ontario. Au 31 décembre 1990, elle possédait un actif de 39,37 milliards de dollars et desservait, directement ou indirectement, plus de 3,63 millions de clients, dont 85 pour 100 d'abonnés résidentiels. La vente de 130 875 GWh dans la province et de 577 GWh à l'exportation lui ont permis d'enregistrer des recettes de 6,5 milliards de dollars durant l'exercice 1990.

RENOVOIS ET AUDIENCES GÉNÉRALES

Le lieutenant-gouverneur en conseil, le ministre de l'Énergie et le ministre des Richesses naturelles peuvent demander à la Commission de tenir une audience publique sur une question précise et de leur faire rapport. Ces renvois portent d'ordinaire sur des questions liées à l'énergie et suscitent souvent un vif intérêt parmi le public. La encore, la Commission joue un rôle consultatif, sans plus.

Par ailleurs, en cas de changement envisagé de propriétaire d'une entreprise de services publics, la Commission peut être appelée à tenir une audience et à faire rapport. L'autorisation du lieutenant-gouverneur en conseil est obligatoire lorsqu'une entreprise de services publics exprime l'intention de vendre ses biens ou de fusionner avec une autre entreprise à vocation semblable, et lorsqu'un particulier compte acheter plus de 20 pour 100 des actions d'une entreprise de services publics, quelle que soit la catégorie d'actions en cause. La Commission peut recommander qu'il n'y ait pas d'audience, ou peut au contraire tenir une audience et présenter son rapport et ses recommandations au lieutenant-gouverneur en conseil.

La Commission peut aussi, de sa propre initiative, tenir des audiences générales pour examiner des questions qui relèvent de sa compétence. Ces audiences sont généralement déclenchées par des tendances nouvelles ou des questions qui suscitent un intérêt ou une inquiétude particulière; elles abordent les sujets dans un contexte plus global que ne le permettrait une audience ponctuelle.

APPROBATION DE NOUVELLES INSTALLATIONS

Les compagnies désireuses de construire un pipeline pour le transport de gaz naturel en Ontario doivent obtenir l'autorisation de la Commission. En outre, tous les projets de construction sont examinés par le Comité ontarien de coordination des pipelines (COCP), organisme interministériel chargé des questions de sécurité et des répercussions environnementales relatives à la construction des pipelines. Placé sous la présidence d'un membre de la Commission, le COCP se compose de représentants des ministères de l'Agriculture et de l'Alimentation, de l'Énergie, de l'Environnement, de la Consommation et du Commerce, des Richesses naturelles, de la Culture et des Communications, des Affaires municipales et des Transports. Se joignent aussi au comité, s'il y a lieu, les représentants d'organismes régionaux que les compagnies de gaz naturel consultent aux premiers stades de leurs travaux de planification.

Le COCP tâche de s'assurer que la construction des pipelines n'entraîne pas, à long terme, des conséquences néfastes pour l'environnement, et que les perturbations à court terme restent minimales pendant les travaux. Ce faisant, le comité étudie chaque proposition, examine les divers tracés et emplacements possibles, et règle toutes les questions soulevées avant qu'une demande officielle d'autorisation ne soit présentée à la Commission.

Lorsqu'elle reçoit une telle demande, la Commission doit décider si le projet sert effectivement les intérêts du public, après l'avoir examiné du point de vue de la sécurité, de la rentabilité, des retombées pour la collectivité, de la sécurité d'approvisionnement, des avantages pour la compagnie et des incidences environnementales. La brochure de la Commission de l'énergie de l'Ontario intitulée *Directives environnementales applicables à la localisation, la construction et l'exploitation des canalisations de transport d'hydrocarbures en Ontario*, énonce tous les critères à respecter. Cette publication a été élaborée de concert avec les ministères et organismes provinciaux intéressés par la construction des pipelines. Ce document, dont la version définitive a été réalisée et distribuée en janvier 1990, contient les toutes dernières normes et mesures appliquées par chaque ministère en

EXAMEN DES TARIFS D'ONTARIO HYDRO

Les tarifs de vente en gros d'électricité d'Ontario Hydro (applicables aux municipalités et à certains consommateurs industriels) sont établis par le Conseil d'administration de la Société. Toutefois, lorsqu'Ontario Hydro désire modifier ses tarifs, elle doit soumettre une proposition en ce sens au ministre de l'Énergie, qui saisit la Commission du dossier en lui fournissant toutes les données techniques et financières pertinentes. À l'issue d'une audience publique qui débute généralement fin mai ou début juin et qui dure environ quatre semaines, la Commission rédige un rapport assorti de recommandations qu'elle remet au ministre de l'Énergie au plus tard le 31 août de chaque année. Le rôle de la Commission étant consultatif, ses recommandations n'ont pas force exécutoire pour Ontario Hydro.

Tecumseh Gas Storage Limited exploite des réservoirs de stockage de gaz dans le sud-ouest de l'Ontario. Contrôlée conjointement par la Compagnie pétrolière impériale et *Consumers*, et exploitée exclusivement par *Consumers Gas*, cette compagnie a réalisé des recettes d'environ 19,7 millions de dollars pendant son exercice financier 1991. *Consumers Gas* et *Union* sont les seuls clients de Tecumseh.

Natural Resource Gas Limited (NRG) est une petite entreprise de services publics fournissant du gaz à 2 303 abonnés de la région d'Aylmer. Au 30 septembre 1990, son assiette des tarifs était en moyenne de 3,808 millions de dollars, et le volume total de ses ventes était de 12 059 millions de mètres cubes. La compagnie affichait des recettes d'environ 3,348 millions de dollars pour son exercice financier 1990.

plus de 451 millions de dollars. Pour approvisionner quelque 183 000 abonnés, la compagnie a achevée en tout 3,428 milliards de mètres cubes de gaz. Ses recettes totales durant l'exercice 1990 ont atteint environ 482 millions de dollars. En avril 1990, *Westcoast Energy Inc.* a racheté *ICG à Inter-City Gas Corporation*. Le nom de la société est devenu *Centra Gas Ontario Inc.* en janvier 1991.



que les industries, ces dernières consommant de grandes quantités de gaz à des volumes plus constants.

La Commission s'efforce de réaliser un équilibre entre les prix que doivent payer les consommateurs, d'une part, et le rendement que les actionnaires de chaque compagnie sont autorisés à tirer de leur investissement, d'autre part. Les tarifs doivent être justes et raisonnables pour les clients comme pour les actionnaires. Avant d'arrêter une décision, la Commission prend en considération les dépenses antérieures, actuelles et futures, la conjoncture, les prévisions, les tendances économiques et les recettes escomptées des compagnies.

La Commission peut accorder un redressement tarifaire provisoire aux compagnies ou aux consommateurs lorsque les frais ou les revenus d'une compagnie de services publics subissent ou sont sur le point de subir des modifications importantes. En pareil cas, ces rajustements peuvent faire l'objet d'une audience spéciale qui dure généralement un jour ou deux. Les tarifs provisoires sont sujets à révision et ne deviennent définitifs qu'à partir du moment où la Commission rend sa décision finale et émet une ordonnance.

Dans le cadre des audiences relatives aux tarifs, la Commission doit non seulement s'assurer que les compagnies de services publics pratiquent des tarifs raisonnables, mais encore que le service fourni est de qualité satisfaisante.

The Consumers' Gas Company Ltd. est le plus important distributeur canadien de gaz naturel et dessert quelque 1 058 450 consommateurs résidentiels, commerciaux et industriels dans le sud, le centre et l'est de l'Ontario. Par le biais de sociétés affiliées ne relevant pas de la compétence de la Commission, *Consumers* distribue également du gaz dans l'Ouest du Québec et le nord de l'État de New York. Au 30 septembre 1990, date de clôture de son dernier exercice financier, son assiette des tarifs se chiffrait à 1,541 milliard de dollars. Le volume total de gaz débité par *Consumers* durant cet exercice a été de 10,476 milliards de mètres cubes, ses recettes totales se montant à 1,772 milliard de dollars. Le 7 mars 1990, la compagnie *British Gas plc* a annoncé qu'elle avait l'intention d'acquérir toutes les actions ordinaires de *Consumers Gas*. La Commission a commencé son examen de la transaction proposée lors d'une audience publique qui s'est tenue le 26 juin 1990. Dans le rapport qu'elle a remis au lieutenant-gouverneur en conseil le 15 octobre 1990, la Commission recommandait l'approbation de la transaction.

Union Gas Limited, deuxième compagnie de distribution ontarienne par ordre d'importance, approvisionne les consommateurs du sud-ouest de la province. Elle exploite aussi un réseau de pipelines, d'installations de stockage et de stations de compression pour le compte de clients et d'autres entreprises de services publics dans l'est de l'Ontario et au Québec. Au 31 mars 1991, son assiette des tarifs s'établissait à environ 1,3 milliard de dollars. Elle comptait plus de 613 000 clients résidentiels, commerciaux et industriels, et son réseau aura débité un volume total estimé à 16,7 milliards de mètres cubes pendant l'exercice financier 1991, y compris le gaz acheminé pour le compte d'autres compagnies distributrices. Le volume total de gaz livré à des clients s'occupant de distribution (c'est-à-dire à des compagnies qui vendent ou transportent du gaz) atteignait 7,7 milliards de mètres cubes. Pendant le même exercice, *Union Gas Ltd.* a réalisé des recettes totales de 1,2 milliard de dollars.

Centra Gas Ontario Inc., précédemment *ICG Utilities (Ontario) Ltd.*, approvisionne en gaz une centaine de collectivités du nord-ouest, du nord et de l'est de l'Ontario. Son réseau de distribution de gaz naturel se compose d'environ 6 142 kilomètres de pipelines raccordés à plus de 76 points sur le réseau de transport de TransCanada Pipelines (TCPL). Le réseau de *Centra* est constitué d'une série d'embranchements le long du réseau ontarien de TCPL, de Kenora aux rives du lac Ontario et jusqu'au Saint-Laurent. Au 31 décembre 1990, l'assiette des tarifs de *Centra* se chiffrait en moyenne à

• la Loi sur les services publics;

• la Loi sur l'évaluation foncière;

• la Loi sur la Société du chauffage par district de Toronto;

• la Loi de 1988 sur le projet d'aide financière aux intervenants.

La Loi sur le projet d'aide financière aux intervenants a été proclamée le 1^{er} avril 1989 par le lieutenant-gouverneur en conseil. Ce projet pilote, d'une durée de trois ans, prévoit un mécanisme permettant de financer le recours des intervenants qui comparassent devant certaines instances officielles, y compris la Commission de l'énergie de l'Ontario. Il prescrit les critères sur lesquels doit s'appuyer le comité d'examen établi en vertu de la Loi lorsqu'il décide d'approuver ou de rejeter une demande d'aide financière présentée par un intervenant.

Les procédures de la Commission sont gouvernées par la Loi sur l'exercice des compétences légales ainsi que par ses propres règles provisoires de pratique et de procédure.

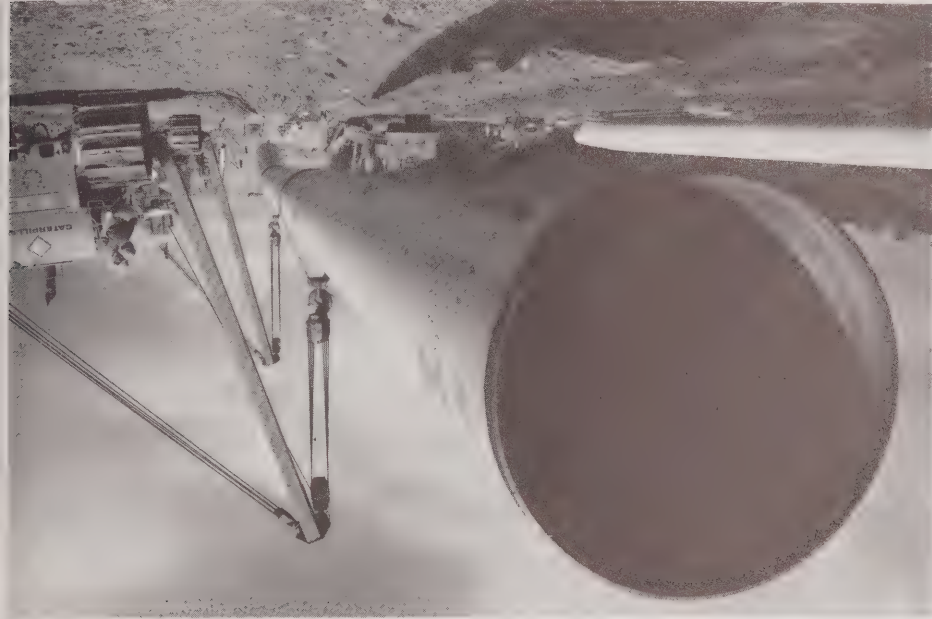
RÔLE ET RESPONSABILITÉS

FIXATION DES TARIFS DU GAZ NATUREL

Toutes les compagnies de gaz naturel vendent et transportent du gaz dans les régions de la province où elles détiennent une concession. Le marché de l'énergie est désormais soumis aux lois de la concurrence, car les acheteurs peuvent traiter directement soit avec les producteurs de gaz, soit avec les distributeurs, ou encore choisir une autre source d'énergie. Du fait que le transport du gaz nécessite un vaste réseau de pipelines et d'installations de stockage, le monopole demeure la plus efficace des formules puisqu'il ne tolère pas le double emploi et empêche les augmentations tarifaires qui auraient lieu autrement.

En Ontario, les tarifs applicables à la vente du gaz doivent être approuvés par la Commission. En vertu de la loi, les distributeurs de gaz sont tenus de soumettre leurs projets de tarifs à l'approbation de la Commission. Les tarifs de chaque compagnie sont fixés à l'issue d'une audience publique. La durée d'une audience importante est de trois à quatre semaines environ.

Les tarifs ne sont pas les mêmes pour les consommateurs résidentiels, commerciaux et industriels. Lorsqu'elle établit les tarifs, la Commission tient compte des coûts associés aux fluctuations de la demande des différentes catégories de consommateurs. Ainsi, la demande de gaz naturel utilisé pour le chauffage résidentiel varie en fonction des conditions météorologiques et de la période de la journée. Par conséquent, il en coûte plus cher, par unité, d'approvisionner les abonnés résidentiels



Union Gas continue d'agrandir son réseau de transport avec la construction d'un gazoduc d'un diamètre de 48 pouces, sur une longueur de 60 kilomètres, de Milton au canton de Darn.

L e gaz naturel revêt une grande importance pour l'Ontario, tant comme source d'énergie que comme matière première dans divers secteurs, principalement dans celui des produits chimiques. Le gaz naturel constitue le principal combustible de tous les secteurs de l'économie, excepté celui des transports, et il est le combustible privilégié pour le chauffage de l'eau et des locaux dans la province. En fait, l'Ontario utilise plus de gaz naturel que toute autre province, sa consommation représentant environ 42 pour 100 du total de la demande de gaz naturel canadien. Le gaz représente quelque 31 pour 100 de l'énergie consommée dans la province, tandis que l'électricité, dont la popularité va croissant, représente 18 pour 100 environ. Les combustibles et carburants liquides (pétrole et liquides du gaz naturel), le charbon et le bois viennent compléter la liste des sources d'énergie utilisées dans la province.

La Commission de l'énergie de l'Ontario est chargée de réglementer l'industrie du gaz naturel en fixant les tarifs, en autorisant la construction des lignes de transport et en évaluant les accords de concession. En outre, la Commission conseille le ministre de l'Énergie sur des questions générales touchant l'industrie du gaz naturel, de même que sur des aspects intéressant Ontario Hydro. Dans tous les cas qui lui sont soumis, la Commission veille à l'équité des tarifs et à la sauvegarde de l'intérêt public, et s'assure que les approvisionnements sont toujours suffisants.

Le présent rapport décrit le mandat de la Commission, ainsi que son rôle et ses obligations. Il contient une liste de toutes les activités menées durant l'exercice écoulé, dont certaines sont présentées dans leurs grandes lignes.

MANDAT

La Commission de l'énergie de l'Ontario a été créée en 1960 à titre d'organisme officiel et impartial chargé de réglementer divers aspects de l'industrie ontarienne du gaz naturel. Outre ses fonctions de réglementation, la Commission, à la demande du lieutenant-gouverneur en conseil, du ministre de l'Énergie ou du ministre des Richesses naturelles, formule des recommandations sur diverses questions relatives à l'énergie telles que, par exemple, les modifications apportées par Ontario Hydro à ses tarifs de vente en gros. Dans toutes ses activités, la Commission de l'énergie de l'Ontario vise avant tout à servir le public et à protéger ses intérêts.

La plupart des responsabilités et pouvoirs de la Commission sont énoncés dans la Loi sur la Commission de l'énergie de l'Ontario et, accessoirement, dans six autres lois, à savoir :

- la Loi sur les concessions municipales;
- la Loi sur les richesses pétrolières;



Les membres de la Commission au 31 mars 1991. De gauche à droite : V.W. Bielski, R.R. Perdue, C.W.W. Darling, S.J. Wychowannek (présidente), C.A. Wolf Jr, P.W. Chapple, O.J. Cook, R.M.R. Higgin, J.C. Allan



Ministre

Ministry
of
Energy

Ministère
de
l'Énergie

Queen's Park
Toronto, Ontario
M7A 2B7
416/327-2936
Fax 327-1216

Queen's Park
Toronto (Ontario)
M7A 2B7
416/327-2936
Télécopieur 327-1216

068820039

A son honneur Lincoln M. Alexander
Lieutenant-gouverneur de la
province de l'Ontario:

J'ai l'honneur de présenter le rapport annuel de la
Commission de l'Énergie de l'Ontario décrivant les
diverses activités de l'exercice 1990-1991.

Veuillez agréer, votre honneur, l'assurance de ma
très haute considération.

Le ministre de l'Énergie
William A. Ferguson

TABLE DES MATIÈRES

INTRODUCTION 3

STRUCTURE 11

AUDIENCES PUBLIQUES 13

RÉCAPITULATION DES ACTIVITÉS 15

Examen de la demande d'Ontario Hydro 16

Autres affaires renvoyées à la Commission 17

Demandes relatives aux tarifs du gaz naturel 18

Demandes relatives à des installations 22

Demandes de permis de stockage de gaz et de forage 24

LEXIQUE DE TERMES ET SIGLES 26

Les bureaux de la Commission de l'énergie de l'Ontario sont situés au

2300, rue Yonge

Bureau 2601

Toronto (Ontario)

(416) 481-1967

On peut se procurer des exemplaires du présent rapport et d'autres publications de la Commission :

la librairie du gouvernement de l'Ontario au 880, rue Bay, Toronto, tél. (416) 326-5300.

Les personnes habitant à l'extérieur de Toronto peuvent s'adresser au Service des publications :

ministère des Services gouvernementaux, 880, rue Bay, 5^e étage, Toronto (Ontario) M7A 1N8. Pour

ISSN 0317-4891

Photographies fournies par : Vincenzo Pietropaolo (la présidente et membres de la Commission) ; Peter O'Dell (personnel de la Commission) ; Ontario Hydro (centrales électriques) ; The Consumers Gas Company Ltd., Union Gas Ltd. et Centra Gas Ontario Inc. (installations de gaz naturel)



COMMISSION DE L'ÉNERGIE DE L'ONTARIO

RAPPORT ANNUEL

1 9 6 0 - 1 9 6 1

JUN 3 1992

